EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

JAPAN
Muddied waters on EC car sales deal
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World News

Yugoslavia ceasefire marred by shooting

The latest attempted ceasefire between Croat and federal Yugoslav forces was dogged by mutual suspicion as shooting broke out in Zagreb, the Croatian capital, and federal army troops attacked the eastern city of Osijek.

Croatian president Franjo Tudjman said that talks on separating the warring parties would begin once the agreed "absolute and mutual ceasefire" was in place. It had been due to take effect at 3pm local time. Page 16

Cambodia peace hope
UN officials are confident that a peace agreement to end Cambodia's 12-year civil war will be ready to be signed next month. This will pave the way for a huge UN peacekeeping and election-control operation expected to be launched in November. Page 16

French immigration row
Valéry Giscard d'Estaing, former president of France and a possible candidate for the 1995 presidential election, sparked a political row with calls for a tough line on immigration. Page 16

Yeltsin mediates
Russian president Boris Yeltsin said he was confident that weekend peace talks on the disputed enclave of Nagorno-Karabakh would result in a breakthrough declaration today. He had been mediating to try to end fighting between Armenians and Azeris over the territory which is administered by Azerbaijan. Page 2

Palestinian meeting
Palestinians gathered in Algiers for a meeting of the Palestine National Council to decide whether to attend a US-proposed Middle East peace conference. PLO leader Yassir Arafat said they needed further assurances on the scope of the talks. PLO dilemma, Page 6

HK reformists snubbed
Hong Kong governor Sir David Wilson largely ignored recommendations by the colony's recently elected pro-democracy groups in his appointments to the Legislative Council. Most of the 17 people he named are seen as favouring stability rather than faster democratisation. Page 5

Irish fraud squad plan
Charles Haughey, Irish prime minister, said the time had come to set up a serious fraud squad. His plan follows a series of financial scandals that have jolted confidence in his government and the business community. Page 4

SA army reform move
The African National Congress is studying government proposals for an army which could include black veterans of the 30-year war against South Africa's white-led military machine. Page 4

Tibet rule condemned
China's rule of Tibet has created a catastrophe for the country's people, with discrimination and racism rampant, said a report by a US-based human rights group, the International Campaign for Tibet.

Call to lift sanctions
Yemen called for UN economic sanctions on Iraq to be lifted, saying they were no longer justified. Saddam calls meeting of defence chiefs, Page 6

Land reformers killed
Seven members of a leftwing group agitating for land reforms were killed by a landlord militia group in India's eastern state of Bihar.

Six die in canal plunge
Six Zaireans drowned when their car plunged into a canal at Mechelen, near Brussels.

Business Summary

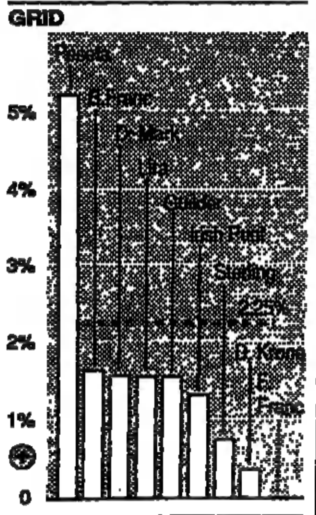
Orders rise boosts hopes for end to UK recession

For the first time in 16 months, a majority of UK manufacturers now expect output volumes to improve, adding weight to recent claims from the UK government and the Bank of England that the British economy is climbing out of recession. The Confederation of British Industry's latest survey of monthly trends cites a slight improvement in domestic and export orders. Page 11

EUROPEAN monetary system: The Belgian franc weakened in the ERM grid last week, slipping from second to fifth strongest, while the Italian lira and Dutch guilder both strengthened at its expense. The Spanish peseta remained at the top, buoyed by high interest rates, while sterling, the French franc and Danish krone remained at the bottom.

EMS September 20, 1991

GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

BRITISH AEROSPACE chairman Prof Sir Roland Smith is coming under increasing pressure from non-executive directors and City institutions to step down. Page 17

MAUS FRERES, the Swiss family-owned holding group, has asked Goldman Sachs, the US investment bank, to advise it on possible asset sales, including that of Au Printemps, the Parisian stores group it controls. Page 17

ITALY'S high rate of inflation and unemployment, with a large budget deficit, are placing the economy increasingly out of line with the rest of its main industrial partners, according to the Organisation for Economic Co-operation and Development. Page 16

BANK OF YOKOHAMA, the Japanese bank which bought control of Guinness Mahon Holdings, said that it was considering restructuring the operations of the ailing merchant bank, including a possible staff cut. Page 19

ASDA, the UK supermarket group, is planning to raise around $519m through a rights issue. Page 17

WILLIAMS Holdings, the UK industrial conglomerate which last week launched a hostile $1.2bn bid for Racal Electronics, said it was in advanced talks on buying the US fire protection arm of Rockwell, the California electronics and aerospace group. Page 18

MAXWELL Communications Corporation, the heavily indebted publishing and media group, is selling its lossmaking US business and reference arm to Thomson Professional Publishing. Page 18

Britain denies changing tack on Emu

UK still opposed to imposition of single currency

By David Buchan in Brussels **and Rachel Johnson and Ivo Dawnay** in London

Three-point consensus................Page 4

THE British Treasury denied yesterday that the UK government was significantly reducing its opposition to a single European currency in order to gain inclusion in the first division of a two-tier community, insisting that parliament should retain a veto on moves towards currency union.

"It remains the UK's position that we cannot accept the imposition of a single currency," the Treasury said. Mr Lamont, UK chancellor of the exchequer, had spelt out the importance of retaining "national discretion" over the pound at the meeting of EC finance ministers in the Netherlands.

But at the meeting, other EC ministers said the process of healing the rift among them over a two-speed move to economic and monetary union (Emu) had made it harder for the UK to escape a commitment to a single currency.

They said all 12 states should have a say in moves towards Emu, and that no institutional barriers should be erected to lagging economies joining the currency union late.

But Mr Norman Lamont, the UK chancellor, has told Conservative MPs that no firm commitments have been made. He rejected the collective view that the Emu treaty, due to be signed in December at Maastricht, should now be written to assume that all 12 EC members will join Emu, with temporary let-outs – known as "derogations" – for those states not yet economically fit to do so.

He clearly preferred an earlier proposal by the Dutch presidency of the EC which put the onus on countries to "opt in" to Emu, rather than the new formula which will be tilted towards "opting out".

Although Mr Lamont is clinging on to the British parliament's right to decide on monetary sovereignty, some observers yesterday read the meeting as evidence that the UK is keen to be among the first wave of single currency users.

Mr Lamont outlined a five-step procedure by which a minimum of eight out of the 12 member countries would progress to stage three of Emu, when a single currency is managed by a European central bank.

"If the appropriate policies are followed, there is no reason why Britain should not be in a position to join" by the planned Emu review date of end-1996, Mr Lamont said.

Treasury insiders interpreted this as a way of ensuring that Britain was not left out of important policy decisions. It is determined to be one of the countries likely to institute and staff the central bank responsible for managing European monetary policy and the currency.

Mr Pierre Bérégovoy, France's finance minister, predicted that "at least seven countries will be ready [for Emu] by 1997, and the UK will be in that group".

In London, Mr David Mellor, the treasury chief secretary, used a BBC radio interview to insist that Mr Lamont's contributions to the Apeldoorn meeting did not indicate any change in government policy.

"Being at the heart of Europe, working in partnership with our partners in a good spirit does not mean changing fundamental policy positions," he said.

But despite Mr Mellor's disavowal of any shift, there was no doubt that weekend reports – suggesting that Britain is tacitly acknowledging acceptance of Emu – will cause further disquiet within the Tory party.

Mr William Cash MP, the anti-federalist chairman of the party's backbench European Affairs Group, said he would now be seeking further clarification of the government's position.

Mr Cash said he would be questioning "a very substantial number" of MPs who had been assured by the prime minister that there would not be a European federal "super-state."

A woman sits outside a government building backed by the Georgian National Guard

Georgian opposition holds Tbilisi television station

By Neil Buckley in Tbilisi

THE THREAT of civil war hung over the Georgian capital Tbilisi last night as thousands of government and opposition supporters took up positions in different parts of the city.

Outside Georgia's Supreme Soviet, about 5,000 people proclaimed their support for President Zviad Gamsakhurdia, chanting "Georgia and Gamsakhurdia are one".

The focus of the opposition, meanwhile, moved to the headquarters of Georgian television, where several thousand people came to the aid of workers who have been on strike, refusing to broadcast what they call "disinformation" from the government. The strikers have also attracted support from about 100 rebel soldiers from unit of the National Guard.

In front of the television station stood a barricade of buses and lorries. Hosepipes from a fire engine and the television centre were ready to be used against attackers.

Demonstrators on both sides gave a warning of bloodshed after three weeks of mounting tension which began when police broke up a demonstration against the Mr Gamsakhurdia. Opposition forces are demanding Mr Gamsakhurdia's

Continued on Page 16

Court halts Brazil's pioneering flotation

By Christina Lamb in Rio de Janeiro

BRAZIL'S first privatisation issue has been suspended by a last minute court ruling which could conceivably jeopardise the entire $18bn programme.

The auction of Usiminas, the country's largest steel mill, was due to take place tomorrow, and several foreign groups and banks had qualified to bid. However, at the weekend a federal judge ruled in favour of a civil action to suspend the flotation.

The action questions the setting of a $1.8bn minimum price for the flotation as well as a recent agreement to increase the capital of Nippon Usiminas, a Nippon Steel-led Japanese consortium which is a minority shareholder in Usiminas.

But the main reason for the action is the government's decision to allow foreign debt instruments to be used as currencies in the auction.

The ruling is the latest in a series of hitches to the state sell-offs, which were initially planned to start in June 1990.

Brazil's attorney-general recommended the auction's suspension 10 days ago on the grounds that Mr Fernando Collor de Mello, Brazilian president, had exceeded his authority by allowing foreign debt to be used. Mr Collor's own vice-president had spoken openly against the sale.

The government will today appeal against the ruling. But an official from the National Development Bank (BNDES), which is overseeing the pro-

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Crusade crumbles, Page 15

US ready to shift policy on Soviet membership of IMF

By Lionel Barber in Washington

Republics shun Yavlinsky plan..............................Page 2

THE US is preparing to drop its long-standing opposition to the Soviet Union becoming a full member of the International Monetary Fund and World Bank.

The prospective shift in US policy – which would allow the Soviet authorities to borrow directly from international financial institutions – reflects a new, optimistic assessment of the Soviet leadership's willingness to tackle economic reform.

It also stems from a growing realisation in Washington that the IMF – as a neutral body with substantial credit resources – should take the lead role in dealing with a future Soviet economic reform plan rather than the US, facing a budget deficit next year of $345bn (£204bn).

Senior US officials are more optimistic than before about the prospects for economic reform in the Soviet Union, with the big qualification being that workable power-sharing and economic agreements need to be reached between the republics, particularly Russia and the Ukraine.

The high-level US assessment is that the abortive Kremlin coup in August "wiped out" earlier opposition to a market economy and that virtually all power has flowed to the republics. "We are now dealing with a very different country," said one senior administration official.

Mr James Baker, US secretary of state, who visited Moscow two weeks ago, has emerged as the leading advocate of a more flexible approach. During talks, he pledged direct economic aid to the Soviet Union on condition there was a "clear commitment" to economic reform. By extracting several key concessions, notably a Soviet pledge to end its military presence in Cuba and a cut-off in aid to Afghanistan, Mr Baker removed political obstacles to future US financial aid.

US president George Bush has remained cautious on the IMF issue and direct US financial aid, and a final decision may still be several months away. But the emerging consensus among western diplomats and US officials is that Mr Bush will shift – just as he did last month when he pledged large-scale humanitarian aid to the Soviet Union and republics this winter.

A key factor is last year's budget agreement with Congress which imposes caps on individual spending categories.

The White House remains confident that it can absorb the costs of medical and food aid to the Soviet Union within existing targets, but a request for substantial direct aid to support a reform package, possibly as early as next spring, could embarrass the administration.

Senior US officials are therefore examining seriously a Democratic proposal to transfer $1bn from the defence budget. The difficulty is that this could unravel the budget accord, since it would involve a

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THE MONDAY INTERVIEW

John Selwyn Gummer (left), UK agriculture minister, believes this week's meeting of EC farm ministers, to discuss the agriculture commissioner's reform proposals, will not even begin to resolve the outstanding issues
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FT SURVEYS THIS WEEK

Global Custody: A cross-border banking product administering hundreds of billions of dollars worth of assets.
(Tomorrow's survey).

INTERNATIONAL NEWS

Leaders opt for alternative to Moscow's version of economic union

Republics shun Yavlinsky plan

By Chrystia Freeland in Kiev

FEAR of Russian domination has led the former Soviet republics to set up an alternative to the economic union proposed in Moscow earlier this month by Mr Grigory Yavlinsky, one of the four-man interim central government.

Leaders of the republics met in the Estonian capital, Tallinn, at the end of last week and signed three non-binding "interstate" protocols concerning trade relations, monetary policy, communications and transport.

The agreement opens the prospect of two distinct economic unions emerging, one based in Moscow and a second with headquarters in Tallinn.

Mr Nursultan Nazarbayev, Kazakhstan's president, is attempting to convene a conference of all republic leaders in his capital, Alma Ata, on September 30 to discuss emergency economic measures. Soviet President Mikhail Gorbachev would not be invited.

Thirteen of the 15 republics participated in the Tallinn meeting, including Russia, although the latter's representative, deputy prime minister Yevgeny Saburov, disagreed with some of the proposals.

The Tallinn Process, as the negotiations have been dubbed, reflects growing fear among the non-Russian republics that Mr Boris Yeltsin's White House – the Russian parliament – is as great a threat to their sovereignty as the Kremlin.

Mr Volodymyr Lanovy, Ukraine's minister for privatisation, said the joint moves were an attempt to prevent Russia from unilaterally taking over former all-Union property.

At the weekend Mr Lanovy rejected the Yavlinsky model as "another effort to force upon us a single financial and monetary system".

The republics agreed to discuss division of the Soviet Union's foreign debt and gold, diamond and hard currency reserves at their next meeting, in three months.

They agreed to negotiate new inter-republic trade contracts, but assured the Baltic republics that their supplies would not be cut off this year in retaliation for independence.

They also agreed to drop the rouble as the internal trading currency as soon as the republics introduced separate currencies. By contrast, the Yavlinsky plan envisages inter-republic trade being conducted in roubles, even after separate currencies emerge.

The republics also discussed a Ukraine suggestion to create an interstate clearing-bank, which would establish exchange rates between republican currencies. The Russian delegation favoured instead a single all-Union bank.

● Ukraine will be poised to introduce a separate currency by the first quarter of next year. Over the weekend the republic decided to print banknotes and to embark on an economic reform programme which would give them value.

Mr Volodymyr Matvienko, chairman of the Ukrainian National Bank, signed a letter of intent with the Canadian Banknote company. According to a company consultant, Mr Orest Nowakisky, Mr Matvienko will travel to Ottawa next week to negotiate a deal to print 1.5bn banknotes in Canada and construct a turnkey mint in Ukraine.

Canadian Banknote is asking about \$2.9m (£1.71m) to print the notes and is offering to build the factory as a joint venture, which would recoup its costs by printing money for other republics and nations.

Mr Boris Yeltsin, Russian president (left), and his Kazakhstan counterpart, Mr Nursultan Nazarbayev, during a weekend visit to Baku, inAzerbaijan. The two leaders are in the republic in an attempt to set up talks over the disputed Nagorno-Karabakh enclave, focus of one of the Soviet Union's most intractable ethnic conflicts, Reuter reports from Moscow.

Several thousand Armenians turned out to welcome the two men during a visit to Stepanakert, the enclave's capital, according to the Tass news agency. However, the Azerbaijani minority remain sceptical; more than 800 people have been killed in fighting between the two communities since 1988.

After talks in Stepanakert, Mr Yeltsin and Mr Nazarbayev flew to the Armenian capital, Yerevan. "It was stormy, not easy in Stepanakert," Mr Yeltsin said on his arrival. "But, at the end of the day, the meetings were very constructive. We would not have started this peace mission unless there was a way out and the most important thing is that the negotiating process has started."

He then went into talks with Armenian President Levon Ter-Petrosian, who has been buoyed by an overwhelming vote for independence in a referendum on Saturday.

As first returns showed 92 per cent of the electorate in Yerevan voting for secession, Mr Ter-Petrosian said, the republic's parliament would declare independence today.

Polish MPs approve bank reform

THE POLISH parliament's lower chamber, the Sejm, has approved changes in the country's banking laws, tightening the central bank's supervisory powers, writes Christopher Bobinski in Warsaw.

The changes, which have yet to be approved by the Senate, also introduce stricter lending requirements for both state and private banks.

They follow the Art B scandal which led last week to the arrest of Mr Grzegorz Wojtowicz, the former head of the NBP, the central bank. Art B is a private company which is alleged to have raised funds on the basis of fraudulent loan guarantees.

Under the new rules banks will be limited to lending up to the value of 15 per cent of their capital to any one client.

● Anthony Robinson adds: Poland and the Soviet Union agreed barter deals worth \$700m (£415m) over the weekend, marking a resumption of trade which virtually collapsed after the abolition of Comecon and the switch to hard currency trading on January 1.

Gummer discovers confusion on agenda

By Mark Nicholson in Moscow

THE inefficient Soviet food distribution system was the first thing on the minds of Mr John Selwyn Gummer, the British agriculture minister, and a team of leading British food industrialists who arrived in Moscow last night.

However, the poor system for distributing visiting delegations was the main preoccupation of British diplomats to whom the dislocated Soviet and Russian authorities had still not been able to offer an agenda for the 10-day trip.

"We hope they'll come up with something tomorrow," said one official hopefully. Another was less sanguine about the coherence of central authority in post-coup Moscow. "This place is like a corpse," he said. "It's still twitching – but we can't find the head anywhere."

Mr Gummer will be less troubled by the disorganisation, if only because he plans to stay in Moscow a little over 20 hours to study food distribution systems. He decided only on Thursday to visit Moscow, after talks with Mr Yuri Luzkhov, chief executive of Moscow, who was visiting London.

British officials frowned, almost convincingly, on speculation that Mr Gummer's sudden mercy-dash to Moscow had more to do with British electoral politics than Soviet food supplies.

A hasty tour of Moscow shops has been arranged for Mr Gummer, and more talks with Mr Luzkhov – if he shows up. "We think he's in Warsaw, but we hope he may be in Moscow tomorrow and can meet the minister," said an official.

The eight-member team, led by Mr Ronald Macintosh, head of the British Food Consortium, and including the chief executives of some of Britain's biggest food processing and retailing groups, appeared calmly unconcerned by their lack of agenda. One suggested they may now have a better chance of "avoiding those long meetings in offices with bad interpreters".

Yugoslav military 'intent on carving out greater Serbia'

By Judy Dempsey in Zagreb

THE massive military operation launched late last week by Yugoslavia's Serb-dominated army is aimed at carving out and consolidating a greater Serbia, through a three-pronged offensive, according to senior officials from the republics of Croatia and Bosnia-Hercegovina.

To achieve this goal, the army, with the support of Serbian paramilitary units, has first to relieve federal military barracks which are being blockaded by Croatia's national guard.

It must also complete the mobilisation in Bosnia-Hercegovina, and move troops and reinforcements across that republic to the Croatian border.

Croatian and Bosnian officials believe the federal army, and Serb paramilitary units, supported by President Slobodan Milosevic of Serbia, will also try to capture Vukovar and Osijek. These two strategically important cities in Slavonia, eastern Croatia, have been repeatedly attacked by federal and Serb units over the past fortnight.

If this three-pronged strategy is achieved, the borders of a greater Serbia will be consolidated.

However, Croat officials believe the federal army will not be able to sustain this offensive.

"I believe the federal army is disintegrating. It is the last Yugoslav institution," said Mr Gojko Susak, Croatia's new defence minister. "All the federal institutions have collapsed. The army's only support is Serbia and Serb nationalists. But even Milosevic has had to call up volunteers. There are many deserters. Young men have gone into hiding. Over 30 federal barracks in Croatia have surrendered. But the army will fight to its last breath. It will be a long struggle."

The latest military thrust by the Yugoslav army is concentrated on the partly Serb-populated Krajina and Slavonia areas of Croatia (see chart) and the notional corridor linking Serbia to the sea through Bosnia-Hercegovina.

Croat officials also believe that the army will not be able to capture Vukovar or Osijek, which have populations of 40,000 and 100,000 respectively.

Despite the heavy fire-power of the federal army, Mr Susak and Mr Rusmir Mahmutcehajic, the deputy prime minister of Bosnia-Hercegovina, said the civilian population, and the republics' own territorial defence units, would do everything in their power to stop the creation of a Greater Serbia dictatorship.

Mr Mahmutcehajic yesterday said that throughout the weekend, federal army units had moved north from the republic of Montenegro, a loyal supporter of Serbia, into Bosnia-Hercegovina. "On Friday night, 2,000 federal troops were stopped by the people near Caplina, in south-western Hercegovina, where many Croats live," said Mr Mahmutcehajic. "But then the federal soldiers were transferred in unmarked buses into the republic to join other units."

The federal army has six brigades, or 20,000 troops, stationed in Bosnia-Hercegovina which have now been mobilised against the wishes of the republic's presidency.

At the same time, the republic's territorial defence units have also been called up to counter any attempt by the federal army to annex parts of the republic to Serbia. "The potential for civil war is enormous," said Mr Mahmutcehajic.

Bosnia-Hercegovina's 4.7m population consists of three ethnic groups: Moslems, who make up 43 per cent of the population, Serbs (33 per cent) and Croats (17 per cent.) Mr Mahmutcehajic said the federal army in the republic, which is under the command of General Nikola Uzelac, a Serb, was working closely with local Serb paramilitary units.

These units, manned by Bosnian Serbs, are located around the city of Banja Luka, north of the republic, which is close to the border with Croatia. The federal army yesterday moved troops across the river Drina at Visegrad to join Serb units at Banja Luka.

Bosnian officials said these Serb units were determined to use the region north of Banja Luka as the bridgehead for linking parts of Croatia's western Adriatic coast as well as Krajina, the Serbian autonomous region in the south-west of Croatia, with eastern Croatia and the Serbian-controlled province of Vojvodina.

"Mr Veljko Kadiejevic, the federal defence minister told the presidency of Bosnia-Hercegovina at the weekend that federal troops are going through our republic to Croatia to relieve the army barracks," said Mr Mahmutcehajic. "But I am also sure that the army is being used to complete the division of Yugoslavia. The army is trying to include parts of Bosnia-Hercegovina in the new greater Serbia. It wants to break the resistance of the republic. We will resist," he said.

Mr Susak echoed his words. But, both agreed, it will be a long and bloody war.

Anxious Croats wait for the all-clear signal in an underground bomb shelter in Zagreb yesterday

Bombarding the barracks with patriotism

By Judy Dempsey

IT has been a long week for Dr Danko Velemir Vrdoljak.

In normal circumstances, he would be working at a hospital in Zagreb. But his sense of patriotism has taken him to the perimeter of the federal barracks of Borongaj, 5km outside the Croatian capital.

For the past eight days Dr Vrdoljak, 25, armed with a Kalashnikov rifle, has spent his time with a small unit of Croat national guardsmen who have been blockading the barracks. "I left my job last Friday week. This unit here, and the Croatian Party of Rights, [a far-right wing nationalist movement] which I joined last week, needed a doctor in case there was fighting. So here I am."

The unit will not move away until it receive orders from the Croatian Ministry of Defence. "We will not let the federal army soldiers out of this barracks until we are told to do so," he said.

There are about 500 soldiers inside the barracks. Dr Vrdoljak said many were aged only 17 or 18. Since September 14 they have received no food or water and have no electricity.

"We cannot lift this blockade. There are terrorists inside this barracks. There are dangerous people in there. They have weapons. However, I think some of the soldiers want to surrender. But their commander will not allow them," Dr Vrdoljak explained.

He said five soldiers had managed last week to escape from the barracks. "We allowed them to go home. But I heard some shooting in there a few days ago. The commander has not allowed the wounded to leave the barracks. And last Tuesday night it was really awful, we were attacked by sniper fire. It was one of the worst nights in my life."

Howitzer shells were fired from the barracks into the national guardsmen. Two were slightly injured but a nearby factory was hit by sniper fire.

The Croatian defence ministry is trying to wear down the resistance and morale, particularly among the younger conscripts, who have not been seen during daylight since the blockade began.

During the long, hot days, the Croats switch on loudspeakers at regular intervals. A voice, calling on the federal troops to surrender, blares across the barracks.

The troops inside probably know the message by heart: "The city of Zagreb, which has given you hospitality, pleads to you officers and soldiers to leave the Yugoslav People's Army, whose generals are causing destruction. . . .

"Do not let the generals use you to protect their privileges. Do not allow your lives to be used for protecting a failed ideology and for destruction. Your colleagues in other barracks in Croatia have left and deserted. They are already at home. Do not let blood remain in our words, our lives and our land. . . ."

Dr Vrdoljak, who knows he could easily emigrate with his qualifications – he has a degree from Williams College in Massachusetts and speaks impeccable English – prefers to remain in Croatia and serve the cause.

"We all have the same wish – independence. I think Tudjman [the president of Croatia] could be much tougher and stronger. That is why I joined the Croatian Movement for Rights."

He expects it will be another long week.

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David Buchan analyses the Apeldoorn finance meeting

Three-point consensus ends two-speed Europe

TWO-SPEED Europe is dead. The minority of EC states should be allowed to follow the majority into monetary union.

This was the thrust of what finance ministers of the Twelve agreed in the Dutch town of Apeldoorn on Saturday. Now, even close observers of Europe's great debate over economic and monetary union (Emu) can be forgiven for not spotting the difference.

Yet, ministers were virtually unanimous that they had made an important change of tack that will allow an Emu treaty to be signed at the EC summit at Maastricht in December.

The fear that the stronger economies of northern Europe would jump into an early union, leaving other EC states behind in the monetary cold, has been gnawing at the latter for some time. It has been worrying them, in fact, ever since the last informal meeting of the 12 finance ministers, in May in Luxembourg, when Germany and its immediate northern neighbours started to warn loudly that only those countries whose inflation and budget performance converged closely with their own could expect to share a single currency with them.

The fear was best put on Saturday by Mr Albert Reynolds, Irish finance minister: "We are opposed to suggestions that the two-speed approach is the likely scenario, as distinct from something that has to be provided for in case of necessity".

Mr Miguel Beleza, Portugal's finance minister, asserted: "We will never speak of two-speed Europe again", which seems doubtful, but the debate has been transformed by the Apeldoorn consensus on *three points:*

● Convergence. No one dared quarrel with the strict price, interest rate and budget discipline criteria which the Dutch presidency (with heavyweight German, French and British backing) says each country must meet before it enters Emu. Mr Theo Waigel, German finance minister, sugared the pill for the south by saying "there should also be scope for a political judgment" on whether a country was fit for Emu.

Only Mr Carlos Solchaga of Spain stuck his neck out by saying that, while he was sure that his country would be ready by 1997 (the intended date for the final Emu decision), the Community should wait two more years in the hope that all 12 could enter Emu at the same time. Mr Wim Kok, Dutch chairman, dismissed this as faint-heartedness about the convergence process by which, already this autumn, 10 EC states have submitted their medium-term plans for collective discussion in Brussels.

● The transitional institution. The last two holding out – Italy and the Commission – for establishing the embryo European Central Bank (ECB) during the transitional second stage of Emu (meant to last through 1994-97) bowed, with good grace, to the majority preference for the European Monetary Institute (EMI), which would simply co-ordinate 12 monetary policies, still run by national central banks. The price successfully demanded by Mr Guido Carli, Italian finance minister, was that "the minute the ECB is born, the EMI dies". If the EMI were to linger, it would be seen as a semi-permanent home for "second division" countries outside Emu.

● Decision-making on the final Emu stage. The Commission and the EMI would report on the state of convergence; finance ministers would recommend to an EC summit as to which countries were fit to proceed to Emu; that summit would pronounce whether the time was ripe for an Emu; if so, finance ministers would then take implementing decisions. Until this last stage, individual governments could still opt out.

To be inserted somewhere into this procedure is the widespread desire for a minimum quorum of countries needed to make an Emu politically and economically viable. A minimum of six, as proposed by the Dutch earlier, was thought to be too small. Belgium suggested seven, the UK and some others eight, and Mr Kok ended by agreeing a majority of the Twelve was necessary.

For all the UK's clear intention to sign an Emu treaty 10 weeks hence, Mr Norman Lamont, its finance minister, left Apeldoorn slightly more uncomfortable than when he arrived. Worried politically more about "any-speed" rather than "two-speed" moves to Emu, he did not like the Apeldoorn solution of assuming that all 12 will be in Emu, giving laggards special "derogations".

Mr Delors made it worse by defining these as temporary or transitional arrangements. That implies, complained Mr Lamont, "our commitment" to a single currency.

ANC studies S African army reform plan

THE African National Congress (ANC) is studying government proposals for an army which could include black veterans of the 30-year war against South Africa's white-led military machine, Reuter reports from Johannesburg.

Three Sunday papers reported leaked details of a proposal to the ANC and Zulu Chief Mangosuthu Buthelezi's Inkatha Freedom party on a code of conduct for the current army and a framework for a neutral post-apartheid defence force.

Both the government and the ANC declined comment on the reports, but one source did confirm that specific proposals had been made to the ANC.

Agreement in the short term on the code of conduct could plug the main gap in a peace accord signed by President F.W. de Klerk, ANC leader Nelson Mandela and Chief Buthelezi on September 14.

The three newspapers said the government had proposed making soldiers answerable to the constitution and the people rather than to the government in power or any political party.

It also proposed limiting the scope for secret operations such as the Civil Co-operation Bureau, a shadowy military hit

Buthelezi: "spears not dangerous"

squad alleged to have killed scores of anti-apartheid activists.

The liberal Sunday Times quoted from the draft: "[Officers] recognise human rights in the execution of their duties and shall accept personal responsibility for... the legality of the conduct of their subordinates."

Mr Mandela, Mr de Klerk and Chief Buthelezi signed a 33-page agreement designed to end political conflict that has claimed an average of five lives a day since 1984.

Township killings have dropped sharply since it was signed. Police said yesterday only two people, one a policeman, had died in political violence on Saturday and during the night.

The accord included codes of conduct for political parties and for the police, who will be subject to the scrutiny of local watchdog committees and a national commission of inquiry. But it did not settle disputes over the future of the ANC's military wing, Umkhonto we Sizwe (Spear of the Nation), on a code of conduct for the army, or on the right of Chief Buthelezi's Zulus to carry so-called traditional weapons, including spears.

Chief Buthelezi said after the signing he did not regard the axes and spears brandished by his followers in a simultaneous show of strength as dangerous weapons that should be banned.

Zulu King Goodwill Zwelithini commanded his people yesterday to lay down their weapons and honour a peace pact with the South African government and the African National Congress (ANC), Reuter reports from Port Shepstone, South Africa.

The king unconditionally endorsed the peace accord which was signed on September 14 by 26 political leaders including President F.W. de Klerk.

More than 11,000 people – an average of five a day – have died since 1984 in countrywide political violence, most of it between the ANC and the Zulu-based Inkatha Freedom Party led by Zwelithini's prime minister, Chief Mangosuthu Buthelezi.

De Klerk: replaced defence minister

Mr Mandela insisted in a post-signing news conference that the ANC's armed wing, which claims to have weapons stashed inside South Africa, would not be disbanded now or in the future.

His wife Winnie told a rally in Soweto last week that Umkhonto, formed in 1960 to wage a guerrilla war against white rule, was "the army of the future South Africa".

Former defence minister Magnus Malan insisted repeatedly after the ANC was legalised in February last year that there would be no place for ANC fighters, some of them highly trained in the Soviet Union and East Germany, in his army.

But Mr de Klerk has since replaced Mr Malan with progressive Afrikaner Roelf Meyer, a key negotiator in the search for a political settlement with Inkatha and the ANC.

The Sunday Star said Mr Meyer helped to draft the proposals now before the ANC and Inkatha, which include talks with Umkhonto. The paper said the ANC had received his ideas favourably.

Car sales accord light on consensus

Kevin Done examines the European Commission's latest 'compromise' with Japan

IT is "a true compromise", beams Mr Martin Bangemann, European commissioner for the internal market and industrial policy. "Some consider it to be protectionist, some consider it to be giving up Europe and showing the white flag."

As one of the main architects of the recent deal between the European Commission and the Japanese government on the vexed issue of Japanese car sales in the single European market, Mr Bangemann is happy for the water to remain muddied. Too much clarity would only threaten the hard-worked for compromise.

Gatt sensitivities mean it is much less than a signed agreement. The deal – Elements of Consensus – was "the result of conversations between the Commission and Japan on motor vehicles", said Mr Frans Andriessen, European commissioner for external affairs.

However, in direct contrast to Elements of Consensus, other previously unpublished documents from the negotiations, obtained by the FT, would justify the title Elements of Disagreement.

These documents address the central issues of the level of Japanese transplant production in Europe and what share the European and Japanese motor industries should have in the European market's future growth or, crucially, what share they should have in any decline in demand.

Consensus was reached on having a seven-year transition period to the end of 1999, when the EC car market would be fully liberalised.

All bilateral restrictions on Japanese vehicle exports will go by the end of 1992.

A system for monitoring Japanese vehicle exports – to the EC as a whole and to the now-restricted markets: France, Spain, Italy, Portugal and the UK – will be introduced based on an assumed EC vehicle market of 15.1m in 1999 and Japanese exports of 1.23m.

In 1989 the EC market for cars and light commercial vehicles was 13.94m, with Japanese exports of 1.24m.

How to put these principles into practice was left unclear, however, as Brussels and Tokyo failed to bridge old differences.

Is there a ceiling on Japanese transplant production in Europe?

The UK government, champion of Japanese interests on this issue, publicly insists not. The more protectionist-minded car makers in France and Italy have been left with the impression, privately, that there probably is, while the Commission talks only of "working assumptions" for transplant output.

The chief actors in the deal – Mr Andriessen and Mr Nakao, Japan's minister for international trade and industry – have clearly differing views.

These are contained outside the main document in an unpublished four-paragraph statement: *déclarations conclusives (version finale)*. In practice, there is nothing conclusive or final about it.

Point one is a *déclaration* by Mr Andriessen to Mr Nakao, saying:

● "During these negotiations, the Commission has based itself on various working assumptions concerning the automobile market developments in the future, including an estimate of 1.2m vehicles" for the annual sales by 1999 – the end of the transitional period – of European-built Japanese vehicles in the EC.

Mr Andriessen adds: "May I, in this context, underline the importance which we attach to a constructive co-operation between the two sides in the implementation of the Elements of Consensus, in particular concerning the principles laid down in points 10, 11 and 14 thereof."

These points declare that:

● Future levels of Japanese vehicle exports to the EC "will be adjusted in an equitable manner" if the trend of demand and forecast demand deviates from the original assumptions.

● Japan "bears in mind the EC's concern" that EC car-makers' attempts to become internationally competitive would be affected if EC manufacturers "cannot enjoy the adequate benefit of market growth" or they face an "improper decrease" in production in a contracting market.

● The Japanese government will tell Japanese car-makers about the Commission's "repeatedly expressed concern that an excessive concentration of sales of their vehicles produced in the EC on specific national markets would cause market disruption" and would hamper EC car-makers' moves to become competitive.

Mr Nakao's reply illustrates that, on the issue of transplant production, there is a dialogue of the deaf. He ignores Mr Andriessen's reference to a production level of 1.2m.

His reply says: "During these negotiations the Japanese side has based itself on the working assumption that the export figure at the end of the transitional period is forecast taking into account total demand and the EC manufacturers' supply capacity as a whole.

"Let me call your attention to your commitment in the Elements of Consensus that Japanese investment or sales of its products in the Community shall not be restricted," he adds.

To Mr Yutaka Kume, chief executive of Nissan Motor and president of the Japan Automobile Manufacturers' Association, there is no doubt: Japan has not agreed to any limit on the production of Japanese cars in Europe. The figure of 1.2m vehicles for transplant production is "not a figure we have agreed between Japan and the EC. This is the EC's unilateral, internal assumption."

Is there agreement between Brussels and Tokyo on how to share future EC car market growth and decline between the European and Japanese motor industries?

Brussels appears to be talking to itself on this point. Brussels seems to have been unhappy with the vagueness of the conditions for the monitoring system but was unable to win Japanese agreement to a clearer statement of how it should work in practice.

It has had to resort to what it calls an Internal Declaration by the Commission – hitherto unpublished – in which it offers its own "interpretations", first of how the "adequate benefit of market growth" should be shared between European and Japanese vehicle makers, second of what the "equitable manner" should be for "adjusting" Japanese exports, if the market turns out to be lower than now assumed.

On the first point, the Commission states that the monitoring of Japanese vehicle exports will be conducted throughout the transitional period in such a way that Community manufacturers will benefit from one third of the growth of the market, compared with its 1990 level.

On the second point, the Commission states that, if demand for any one year is forecast in the twice-yearly monitoring meetings *to fall* below the originally assumed trend, then exports "will be reduced by 75 per cent of the deviation".

There is no reply by Mr Nakao on this point, and Mr Kume claims to have never heard of such figures.

Darman gloomy on US budget deficit next year

By **Lionel Barber** in Washington

THE US is likely to face a $345bn budget deficit next year, and is unlikely to move to a balanced budget until 1997 at the earliest, Mr Richard Darman, White House budget director, said yesterday.

He matched his bleak prognosis with a heavy public hint that he wants to include cuts in mandatory entitlements, such as health care, in a future budget reduction agreement with Congress.

Such mandatory spending categories account for two-thirds of the $1,500bn annual budget but are not subject to annual legislative review.

Now, however, "that trillion has to be on the table", Mr Darman said, suggesting renewed interest in pressing Congress into a big budget deal after the presidential election next year.

In a TV interview, Mr Darman echoed administration concern that the US economy was not growing rapidly enough. The recovery had begun last May, he said, but "the question is whether it is going to stay up or stay up strongly."

Although he cited consecutive rises in housing starts, industrial production and signs of a fall in unemployment, he said consumer spending remained disappointing. But he pointed out that private economists were looking for 2.7 per cent growth next year.

Mr Darman, the architect of last year's $500bn budget deficit reduction accord with Congress, said the recession, the Gulf war and federal deposit insurance had pushed the deficit higher than expected. But he expected a "substantial" fall in the deficit after next year's projected $345bn, with improvements every year thereafter.

Papandreou may give up leadership

SPECULATION grew yesterday that Mr Andreas Papandreou, the former Greek prime minister who was taken to hospital on Friday suffering from a lung infection, may give up day-to-day leadership of his Panhellenic Socialist Movement (Pasok), Kerin Hope writes from Athens.

His son-in-law, Mr Theodoros Katsanevas, a Pasok deputy, said three senior party members already recognised as contenders for the leadership should "form a joint committee to take responsibility for choices and decision-making in our movement".

He said Mr Papandreou should no longer tire himself by making speeches and public appearances but should "still continue to guide" the party he founded in 1974.

Doctors at Athens General Hospital said Mr Papandreou's condition was stable.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

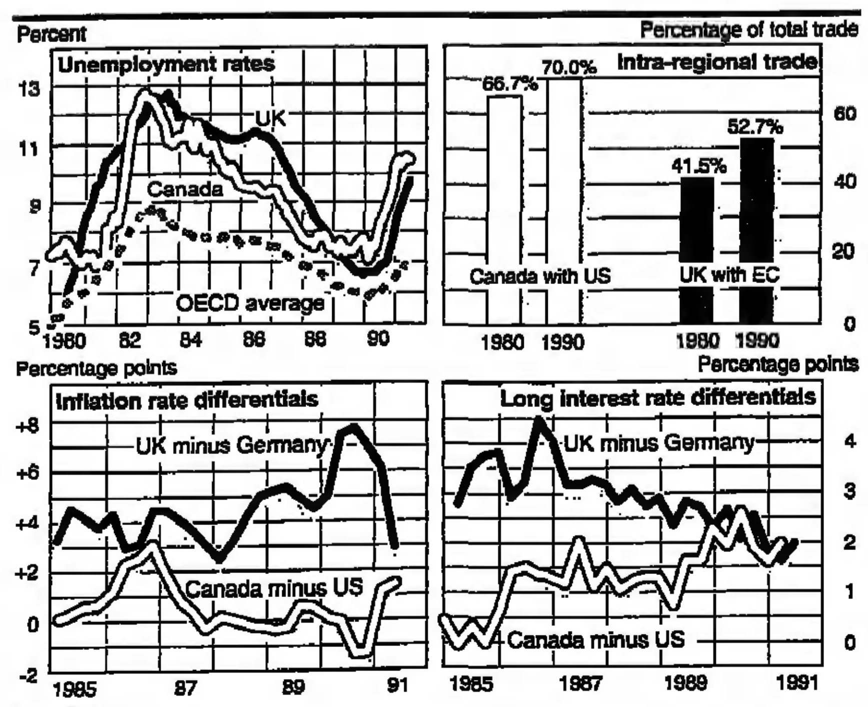
This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	JAPAN Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	7.0	7.9	10.22	12.43	n.a.	2.9	7.7	6.48	6.80	n.a.
1985	9.2	9.1	8.00	10.62	n.a.	4.6	8.2	6.62	6.34	n.a.
1986	12.3	8.3	6.49	7.68	3.43	7.4	8.7	5.12	4.94	0.84
1987	11.6	6.5	6.82	8.38	3.12	9.1	10.3	4.15	4.21	0.55
1988	4.3	5.4	7.65	8.84	3.61	7.8	11.0	4.42	4.27	0.54
1989	0.9	3.8	8.99	8.49	3.43	4.5	10.0	5.31	5.11	0.48
1990	3.7	5.2	8.06	8.55	3.60	3.2	11.5	7.62	7.27	0.65
3rd qtr.1990	4.6	5.2	7.94	8.74	3.62	3.3	12.3	7.85	7.96	0.69
4th qtr.1990	4.2	3.8	7.69	8.31	3.86	5.1	9.3	8.19	7.16	0.80
1st qtr.1991	4.4	3.1	6.69	8.01	3.48	1.5	6.0	7.98	6.54	0.75
2nd qtr.1991	5.2	3.4	6.03	8.12	3.18	3.4	3.3	7.70	6.71	0.71
September 1990	5.1	5.0	7.96	8.89	3.86	2.4	13.2	8.24	8.04	0.77
October	4.2	4.5	7.98	8.72	3.96	3.9	10.9	8.18	7.66	0.80
November	4.4	3.8	7.90	8.39	3.88	7.1	9.6	8.22	7.35	0.82
December	4.0	3.3	7.80	8.05	3.74	4.4	7.5	8.17	6.79	0.80
January 1991	3.9	3.0	7.11	8.07	3.79	1.6	6.0	8.07	6.59	0.80
February	4.4	3.1	6.50	7.84	3.37	0.6	5.2	7.89	6.39	0.74
March	4.8	3.3	6.40	8.10	3.25	2.0	6.9	7.91	6.63	0.70
April	4.3	3.2	6.08	8.03	3.17	−1.4	2.1	7.75	6.69	0.70
May	5.5	3.5	5.92	8.07	3.20	5.6	4.1	7.72	6.64	0.71
June	5.8	3.4	6.10	8.27	3.17	6.2	3.6	7.63	6.73	0.72
July	6.0	2.9	6.05	8.28	3.14			7.45	6.67	0.75
August	6.1	2.5	5.72	7.85	3.07			7.21	6.46	0.77

	GERMANY Narrow Money	Broad Money	Short Interest Rate	Long Interest Rate	Equity Market Yield	FRANCE Narrow Money	Broad Money	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	3.3	3.8	5.99	7.96	n.a.	9.7	11.0	11.77	13.33	n.a.
1985	4.4	5.1	5.45	7.09	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	9.9	8.3	4.63	6.19	1.79	6.9	6.8	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.33	2.21	4.1	9.8	8.26	9.59	2.75
1988	9.8	6.4	4.33	6.58	2.81	3.8	8.5	7.94	9.02	3.69
1989	6.3	5.7	7.12	7.02	2.22	8.1	9.5	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.63	2.11	3.8	9.2	10.32	9.87	3.19
3rd qtr.1990	4.7	4.2	8.39	8.66	2.14	3.8	7.9	10.19	9.94	3.36
4th qtr.1990	6.3	5.4	8.90	8.92	2.51	3.8	9.2	10.11	10.07	3.77
1st qtr.1991	6.3	5.5	9.17	8.43	2.51	0.7	7.6	9.85	9.30	3.64
2nd qtr.1991	5.0	5.5	9.11	8.26	2.25	−0.5	5.8	9.43	8.95	3.48
September 1990	5.1	4.7	8.47	8.66	2.41	3.8	7.9	10.35	10.44	3.73
October	5.8	5.2	8.60	8.72	2.50	0.8	7.5	10.04	10.38	3.75
November	6.0	5.6	8.88	8.68	2.54	0.6	7.7	10.00	10.16	3.78
December	7.0	5.3	9.21	8.69	2.50	3.8	9.2	10.29	9.89	3.79
January 1991	6.6	5.2	9.35	8.74	2.87	−0.4	7.5	10.28	9.75	3.93
February	5.6	5.4	9.06	8.25	2.45	1.3	7.9	9.79	9.11	3.62
March	6.6	5.7	9.09	8.28	2.38	0.7	7.6	9.43	9.04	3.36
April	4.5	5.5	9.18	8.20	2.30	2.2	7.5	9.34	8.88	3.46
May	5.3	5.7	9.08	8.30	2.25	0.6	8.8	9.24	8.86	3.44
June	5.1	5.4	9.06	8.35	2.18	−0.5	5.8	9.72	9.11	3.53
July	5.6	5.8	9.15	8.59	2.29	−1.4	5.3	9.59	9.16	3.69
August			9.31	8.54	2.32			9.58	9.08	3.62

	ITALY Narrow Money	Broad Money	Short Interest Rate	Long Interest Rate	Equity Market Yield	UNITED KINGDOM Narrow Money	Broad Money	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	12.5	12.4	16.11	15.60	n.a.	5.5	12.9	10.03	11.33	n.a.
1985	13.7	14.0	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	10.4	9.0	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.5	11.0	11.32	10.56	1.94	4.7	14.6	9.77	9.52	3.80
1988	7.5	8.1	11.24	10.54	2.71	6.7	17.0	10.41	9.69	4.48
1989	8.1	10.1	12.41	11.61	2.46	5.9	17.8	13.96	10.30	4.36
1990	9.0	9.6	11.98	11.87	2.84	5.3	18.2	14.82	11.65	5.07
3rd qtr.1990	8.0	8.8	11.25	11.85	2.81	4.9	15.5	15.00	11.78	5.21
4th qtr.1990	8.5	10.0	11.80	11.74	3.55	3.3	13.6	13.89	10.95	5.56
1st qtr.1991	7.8	9.2	12.37	11.86	3.69	2.9	10.6	13.30	10.30	5.22
2nd qtr.1991			11.51	12.87	3.21	1.7	9.1	11.64	10.34	4.84
September 1990	8.0	9.6	10.76	11.60	3.14	4.5	14.7	14.97	11.91	5.81
October	9.2	10.0	10.98	11.56	3.36	3.9	14.2	14.07	11.56	5.61
November	8.7	10.2	11.93	11.69	3.67	3.2	14.3	13.70	11.25	5.61
December	7.9	9.9	12.59	11.96	3.65	2.7	12.3	13.87	10.77	5.44
January 1991	6.6	8.4	12.48	12.04	3.98	3.4	11.2	14.02	10.53	5.60
February	7.5	9.2	12.45	11.90	3.64	2.8	10.8	13.32	10.12	5.19
March	8.7	9.8	12.17	11.64	3.43	2.6	9.8	12.49	10.25	4.82
April	6.8	9.1	11.74	13.07	3.36	1.6	9.9	12.02	10.17	4.74
May	8.1	9.8	11.39	12.82	3.24	1.6	9.6	11.59	10.32	4.85
June			11.40	12.72	3.02	2.0	7.9	11.30	10.53	4.96
July			11.54		3.24	2.0	7.8	11.14	10.25	4.91
August			11.69		3.31	1.6	7.2	10.94	10.00	4.76

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Short-term interest rates: period averages of: US – 90 day commercial paper, Japan – 3 month certificates of deposit, Germany – 3 month Fibor, France – 3 month Pibor, Italy – 3 month Euro-Lira, UK – 3 month Libor. Source: Datastream. Long-term interest rates: period average yields on long-term benchmark government bonds. Source: Atlas/TFN. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.



Source: Datastream

UK and Canada: similar problem, different solution

"It is already clear that the current recession, which led the downturn in the United States, is among the severest in post-war history and likely to be eclipsed only by that of 1981-82."

This quote, from the first chapter of the latest OECD economic survey of Canada, could equally have applied to Britain, save that the last UK recession began in 1980. Both Britain and Canada have suffered from similar economic problems and policy failures in the 1980s. But they are taking different routes, in order to avoid making the same mistakes again.

Both countries suffered a sharp recession in the early 1980s which reduced annual rates of inflation to single figures but at the cost of historically high and persistent unemployment. Yet from 1986 the combination of loose monetary policy and financial deregulation led to booms driven by consumption and investment in residential housing. These moved their current accounts from surpluses into large deficits, while fuelling inflation.

A similar policy response was provoked. *Both countries relied on high* interest rates to curb price inflation and are now emerging from deep recessions, with consumers and companies still burdened by debts.

The prevailing wisdom on both sides of the Atlantic is that some form of independent anchor for monetary policy is needed to neutralise the inflationary tendencies to which both economies appear prone. The policy failures of the 1980s arose, in part, because both countries replaced unpredictable monetary aggregates as the policy target by informal exchange rate targets.

By joining the European exchange rate mechanism, the UK has hardened the exchange rate as the target of monetary policy, effectively tying Britain's interest and inflation rates to those of Germany. Canada, by contrast, has decided to keep a floating exchange rate. The government and the Bank of Canada have, instead, announced consumer price inflation targets jointly: 3 per cent by the end of 1992, falling to 2 per cent by the end of 1995. The credibility of this commitment has yet to be tested. But the long-term *interest rate in Canada remains over 2* percentage points higher than in the US.

Canada did not have the option to tie its monetary policy to that of the Bundesbank. A permanently fixed exchange rate is only advisable, in the long-run, *between economies that are sufficiently* integrated. Specifically, they must be affected similarly by economic shocks, such as oil price rises; and labour and other factors of production must flow freely between them. If these two conditions are not met then relative prices between the economies may become quickly out of line, while re-adjustment will be long and painful. Conversely, if they are fully met, then there is little point in maintaining separate currencies, as any change in the exchange rate would be immediately offset, leaving relative prices unchanged.

By these criteria the case for a fixed exchange rate between the US and Canada is strong. The US Federal Reserve is more independent than the Bank of Canada; and US inflation has, on average, been lower than that of Canada over the past 40 years. Moreover the Canadian and US economies have historically been more integrated than the UK and its European neighbours. Recessions in Canada and the US have tended to occur simultaneously. Seventy per cent of Canadian trade is conducted with the US, compared to 53 per cent between the UK and the EC. The Free Trade Agreement between the US and Canada is likely to increase this inter-dependence.

Maintaining a separate Canadian currency imposes costs on the Canadian economy, both transaction costs and high interest rates. The long-term interest differential between the UK and Germany, though falling, reflects the UK's poor inflation performance. But the Canada-US differential, now rising, was positive even when Canadian inflation was lower than in the US.

The economic case for a North American currency area is strong. But politics matter too. Britain's ERM membership reflects a desire to appear good Europeans. But many Canadians are worried that they are becoming Americans, good or not; some do not even want to be good Canadians.

Edward Balls

THE GOOD NEWS IS THAT TWO DUTCH BANKS HAVE MERGED.

THE BAD NEWS IS THAT OUR NAME MAY SOUND LIKE DOUBLE DUTCH TO YOU.

The merger between ABN Bank and Amro Bank has given the financial world a new Dutch bank. A bank that answers to the name ABN AMRO Bank. A name that is therefore more logical than might at first appear.

Though new, our bank has an impressive history that goes back 167 years. And a bank that's been in business that long is sure to have a rock-solid financial base.

To quote a few figures, the ABN AMRO Bank has US$ 232.7 billion in assets and US$ 8.5 billion in shareholders' equity. Which makes us one of the world's top 20 banks.

This financial base not only makes the ABN AMRO Bank an important financial partner in Holland, but also ensures that we can play a major role worldwide. Because the merger has given us considerable funding power.

Just as important, though, is the fact that over the years we have built up a large network.

Which now comprises more than 1850 branches working together in perfect unison in 52 countries. So we can clearly lay claim to being an international bank that can also help you find your bearings locally.

Because, throughout our network you'll find people who, in addition to years of banking experience, also have in-depth knowledge of their local markets.

In the day-to-day practice of banking they cooperate closely with our global relationship managers in looking after the interests of our clients.

At the ABN AMRO Bank you'll meet people who fully realize that business revolves around more than money alone.

People who know what banking is about, and who will also help you with new ideas, optimum service and sophisticated products. That's what makes the ABN AMRO Bank, literally, a world-class bank. With the ambition to become, quite simply, the best bank.

Not by looking for short term success, but by creating the new standard in banking. So that we can help our clients enhance their business performance worldwide.

The ABN AMRO Bank has long-standing relationships with clients throughout the world. Clients who welcome the news of our merger.

Because they know that, although our name might sound like Double Dutch, our approach to banking is crystal-clear.

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INTERNATIONAL NEWS

Bank has 'headroom' for loans to E Europe

By Michael Prowse in Washington

THE WORLD BANK'S support for economic reform in eastern Europe and the Soviet Union will not involve a diversion of resources from its clients in the Third World, Mr Lewis Preston, the bank's new president, said at a briefing to launch this year's annual report.

He said the bank could expand its overall lending because past capital increases had left "significant headroom". The bank's statutory lending limit is $152.3bn (£90bn), nearly $62bn higher than outstanding loans of $90.6bn. Lending to eastern Europe rose by just over $1bn to $2.9bn in fiscal 1991.

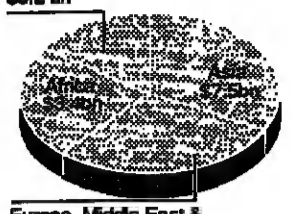
Mr Preston said the bank's strategy towards economic reform in the Soviet Union had to be "reactive" because it was impossible to predict how powers would be shared and what help would be required.

He said the bank had become "too presidential and hierarchical". A streamlining of top management announced last week was intended to "energise and motivate" staff. He was eliminating the senior vice-president layer of management in order to give full operational responsibility to vice-presidents heading regional offices.

Mr Preston, a former chairman of J P Morgan, the New York bank, said his management philosophy was to give staff "all the responsibility they can take, with sensible controls, and hold them accountable".

World Bank/ IDA lending by region

1991 fiscal year total $22.7bn



The bank expects to lend a total of $23bn-$25bn in fiscal 1992, which began on July 1. This compares with total commitments of $22.7bn last fiscal year. Figures for new commitments, however, greatly overstate the bank's net contribution to development because many old loans are maturing. Net disbursements by the International Bank for Reconstruction (IBRD) – the main division of the bank – were only $2.1bn last year compared with $5.7bn in fiscal 1990. Net disbursements by the International Development Association (IDA) – the unit that makes soft loans to the poorest countries – were $4.3bn compared with $3.6bn the previous year. Allowing for repayment of interest, net transfers by IBRD were minus $5.6bn last year, only partially offset by positive net transfers by IDA.

Bank officials argue that the bank's overall performance must be judged not just on its lending but on its success in providing advice and technical assistance.

The report indicates that the bank is laying greater emphasis on developing human resources – a theme of this year's World Development Report. Gross lending for education was $2.2bn in fiscal 1991, having topped $1bn for the first time in fiscal 1990. Lending for population, health and nutrition was $1.57bn, having averaged $300m a year in the mid-1980s. Staff figures indicate a growing emphasis on the environment. The bank's environment department has 106 professionals and 34 support staff compared with a handful a few years ago.

The report shows the bank's financial position remains strong. The ratio of reserves to loans rose to 11.2 per cent from 10.8 per cent. Net income rose 14 per cent to $1.2bn.

Saddam calls high-profile meeting of defence chiefs

PRESIDENT Saddam Hussein, facing renewed threats of US military action to enforce full Iraqi co-operation with United Nation weapons inspectors, convened a high-profile meeting of his defence and military chiefs, Reuter reports.

But Iraq's state-run newspapers, which yesterday published front-page photographs of the Saturday meeting, did not say what had been discussed or decided.

No reports accompanied the pictures, which showed Mr Saddam with senior government and army officials.

The meeting came three days after the US threatened to use force if Iraq did not fully facilitate the work of UN teams supervising the scrapping of its weapons of mass destruction under the terms of the Gulf war ceasefire, which say it must declare and destroy them all.

Baghdad and the UN have been locked in a row for the past two weeks over the use of three helicopters, stationed in neighbouring Turkey, on loan to the UN from Germany.

Mr Ahmed Hussein al-Samarael, the foreign minister, told Jordan television on Saturday that Iraq was co-operating with the UN teams but said unrestricted UN use of helicopters posed a threat to Iraqi security.

PLO dilemma: profile or peace

Tony Walker and Lamis Andoni on the Palestinians' Algiers agenda

WHEN Mr Yassir Arafat, the Palestine Liberation Organisation chairman, convenes a session of the Palestinian "parliament", due to open today in Algiers, the atmosphere is likely to be even more subdued than at the last such gathering, almost three years ago in the Algerian capital.

Members of the Palestine National Council (PNC) will discuss the critical issue of Palestinian participation in the proposed US-Soviet sponsored Middle East peace summit.

At their last meeting, which led to the proclamation of an independent Palestinian state, members set in motion a process that would lead to recognition by the PLO of Israel's right to exist within its pre 1967-war frontiers. By recognising pre-1967 Israel they were effectively forswearing their claim to three-quarters of the land they called Palestine.

Mr Arafat believed that such a gesture would gain for the PLO the international recognition it had long craved.

Three years and one Middle East war later, the Palestinian movement and its leader are more isolated, more bereft of friends, than at any other time since the PLO's foundation in 1964, due partly to the organisation's support of Iraq in the Gulf crisis.

Even so, world attention will be focused this week on the conference centre where Mr Arafat will lead debate on the issue of the peace summit. Debate will be fierce and there will be those on the PLO's radical wing – such as Mr George Habash and Mr Nayef Hawatmeh, leaders respectively of the Popular Front and Democratic Front for the Liberation of Palestine – who are likely to argue against Palestinian participation on the terms offered by Mr James Baker, US secretary of state.

They will be countered by pragmatists from Mr Arafat's mainstream Fatah faction, who believe that current US peace efforts offer what may prove to be the last chance for many years of a genuine attempt to solve the Arab-Israel problem.

The acute dilemma for Mr Arafat and fellow historic leaders of the PLO is whether, by supporting representation at a peace conference by Palestinians who are not members of PLO institutions (Israel rejects any dealings with the PLO), the organisation may be signing its "death warrant", in the words of one senior PLO official.

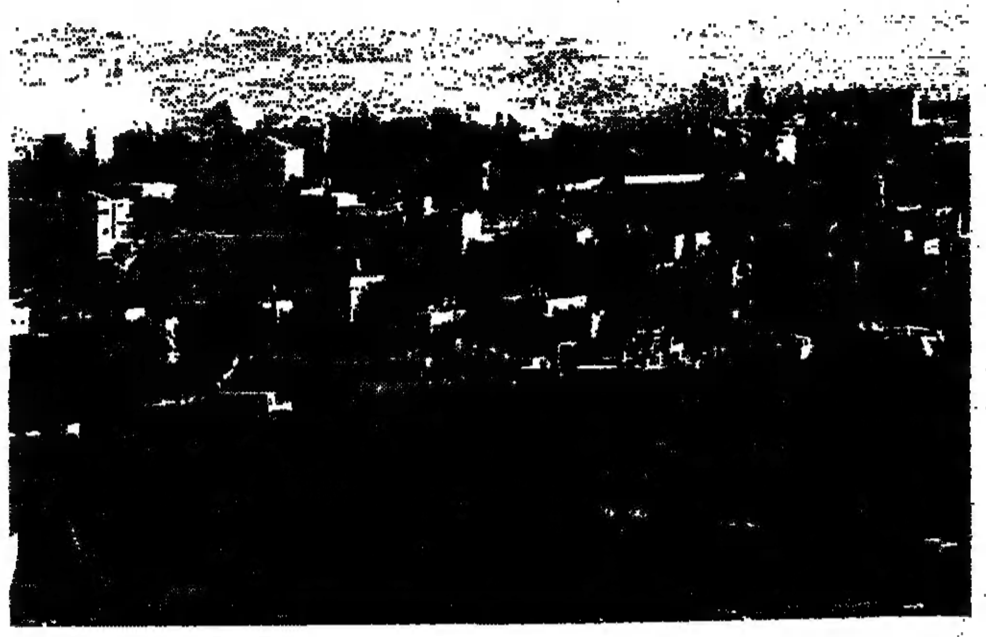
The question for many Palestinians, however, is not so much whether the organisation to which they have pledged allegiance will survive, but whether the latest US peace effort does offer a realistic chance of a settlement on less than humiliating terms.

The PNC is likely to re-state Palestinian principles laid down at the last session in Algiers in 1988. These call for Israeli withdrawal from Arab land, self-determination for the Palestinians and acknowledgement of Jerusalem as the capital of a future Palestinian state.

The gathering would then leave it up to the PLO's executive committee, in effect its cabinet, to decide whether to agree to Mr Baker's terms for the participation of Palestinians from inside the occupied territories as representatives of the national movement.

For Mr Arafat, who is used to being centre-stage, it would not be an easy decision to stand aside while a peace conference went forward.

Readthrough:Mr Yevgeny Primakov, Soviet envoy to the Middle East, described at the weekend the prospects for a conference as "uncertain". He criticised Israel, which he said had not altered its position despite pressure from the US. The Palestinian position was "more flexible and more inclined to taking part in the conference," he added.



Planned Jewish settlement site: Palestinian neighbourhood of Wadi Joz, East Jerusalem

Israel suspicious of US tactics

US PROPOSALS to settle a bitter dispute between Israel and the Bush administration over financial assistance for Soviet Jewish immigration do not go far enough, a government official close to Mr Yitzhak Shamir, the Israeli prime minister, said yesterday, writes Hugh Carnegy from Jerusalem.

The official, who requested anonymity, said Israel could live with the delay of 120 days President George Bush has demanded before the request for US loan guarantees to back borrowing of $10bn (£5.9bn) is considered by Congress.

But he said statements from US officials suggesting the guarantees would still be linked to Israeli policy on the peace process, such as agreement to freeze Jewish settlements in the occupied territories, had made the government suspicious of US intentions.

The official said a six-point compromise package proposed last week by Mr James Baker, US secretary of state, including a commitment not to delay the loans beyond next January after a planned Middle East peace conference has taken place, was not sufficient. The official explained: "What we want is to be assured that in January when the issue will be again discussed there will not be more conditions."

He said Israel wanted to be sure that the full $10bn would be supported by the administration, which has so far carefully avoided any commitment to a figure.

Pakistan wins IMF support

PAKISTAN won International Monetary Fund support for its economic policies over the weekend, with an agreement for the release of $140m (£83m) under a structural adjustment facility (SAF) programme, writes Farhan Bokhari from Islamabad.

This is the last tranche under a three-year SAF agreement worth $604m signed in November 1988. The tranche was withheld last summer when Pakistan failed to bring its fiscal deficit down to 4.8 per cent of its GDP. The new agreement still needs to be ratified by IMF's board of directors, expected to be a formality.

Hong Kong reformists snubbed in appointments to council

THE governor of Hong Kong, Sir David Wilson, has largely ignored the calls of the colony's recently elected pro-democracy groups in his appointments to the Legislative Council, writes Angus Foster in Hong Kong.

He named 17 people to the 60-seat council on Saturday. Most are professionals and businessmen seen as favouring stability rather than faster democratisation. The appointments also mean the pro-democracy group led by the United Democrats of Hong Kong, which won 15 of 18 directly elected seats last week, remains in opposition.

Mr Martin Lee, UD leader, called the appointments "disappointing". His party had given the governor 20 names for consideration, but Mr Lee said Sir David accepted only one of his recommendations.

Several leading Hong Kong politicians were reappointed to the council. But Mr Lee said that, as in the past, these would side with the government on controversial matters.

However, Ms Maria Tam, a prominent lawyer and politician, was not re-appointed, after the Liberal Democratic Foundation, a pro-business political party she founded, failed to win a seat in the direct elections.

The decision not to reappoint Ms Tam led to speculation about her position on the executive council, Hong Kong's main decisive body. The UD is now likely to shift its campaign for a greater role in governing Hong Kong to the executive council appointments.

Among the new legislators are Mr Vincent Cheng, a senior manager at the Hongkong Bank, Mr Henry Tang, an industrialist, and Mr Steven Poon, general manager of China Light and Power.

APPOINTMENTS

Unichem finance chief promoted

■ UNICHEM, the national pharmaceutical wholesaler, has appointed Mr Jeff Harris as deputy chief executive. Mr Harris joined Unichem in 1985 as group chief accountant, and became finance director in 1986.

■ Mr J.C. Moloney *(pictured)* has been appointed chairman of IAWS GROUP, the food and agribusiness group, after the retirement of Mr P.I. Meagher. Mr Moloney was formerly deputy chairman and he is also a director of Irish Nationwide Building Society.

■ Following Ferranti Ltd's purchase of graphics software house VISUAL BUSINESS SYSTEMS of Slough, Mr Peter Elsworth, former managing director of Micro Technology Ltd and Sintrom Electronics, has been brought in as VBS group managing director.

Mr Ed Jelen, the former UK managing director, becomes chairman and chief executive officer of the US subsidiary in *Atlanta, Georgia*.

■ WOLINSKI & CO. consulting actuaries, has admitted a new partner, Mr John Ferguson, formerly with the Wyatt company, who will manage the newly-opened Cambridge office.

■ CONOCO Inc. has appointed Mr Gary W. Edwards, chairman of Conoco UK Ltd and vice-president of refining and marketing Europe, and Mr Robert E. McKee, former chairman and managing director of Conoco UK Ltd, to senior positions in Houston, in the United States.

Mr Edwards has been made executive vice-president, refining, marketing, supply and transportation; Mr McKee becomes senior vice-president, administration. Mr Edwards joins Mr McKee as a senior vice-president of Du Pont, Conoco's parent company.

■ NUFFIELD HOSPITALS, the UK's second largest independent hospital group, has appointed Mr Mike Eastwood as national marketing manager. Mr Eastwood was previously retail marketing manager for Scottish Brewers Retail.

■ UNIDARE has appointed Mr Peter Gray as finance director from November. Mr Gray has been finance director of Food Industries since 1989.

■ SOTRALENTZ (UK) Ltd, plastics packaging subsidiary of French group Sotralentz SA, has appointed Mr Patrick Marion as managing director.

CONTRACTS

Cardiff offices

NORWEST HOLST has won new contracts with a total value of more than £24m. The largest is a £15m scheme for Regalian Properties, working on a new seven-floor office building in Cardiff.

The new building, Imperial Gate, will contain 120,000 sq ft of office space for business use, together with underground parking for 55 cars. The design, by architects David Preece Associates, includes a large entrance atrium and marble and granite finishes.

Under a £4.2m contract at Glasgow University, the company is carrying out a comprehensive refurbishment for the Physics and Astronomy Department, together with the construction of a new four-storey teaching block. The project will include alterations and restructuring to existing facilities at the Grade B listed building. A further contract at the university, worth £760,000, involves the fitting-out of three floors of laboratory/offices for the BioTechnology Facility.

For Strathclyde Regional Council, Ayrshire, Norwest Holst is undertaking a £3.1m contract to construct a 1.35km length of 2m diameter finished internal sewer, under Phase II of the Greenock Valley Sewer. In Edinburgh, the company has a £900,000 contract for 500m of 1.2m diameter sewer on behalf of Lothian Regional Council.

Mowlem unit wins £17m of work in south-west

E THOMAS CONSTRUCTION, the west country division of John Mowlem Construction, has won more than £17m of new work in the region.

The company says that the new orders more than double its share of the market in Devon, Somerset and west Dorset.

The largest contract, worth £4.5m, is being undertaken in conjunction with Mowlem Engineering, and is for the design and construction of sewage treatment facilities for South West Water in the Bude, Cornwall, area.

The project, scheduled for completion by spring 1992, includes sewage treatment works at Helebridge, two pumping stations – one at Helebridge and one at Bude – and the laying of the pumping main from Bude town to the works and return to the sea outfall.

At Penzance, E Thomas has won a £3.1m contract from the Cornwall and Isles of Scilly Health Authority for a new ward block, X-ray room and mortuary with associated works.

Other west country contracts include a £2.2m sewage treatment works for South West Water Services, to deal with flows from the Teign estuary area, and a £1.5m contract for a country club and leisure centre at Padbrook Farm, Cullompton, near Exeter.

Avon road

M J GLEESON GROUP has been awarded a £10m contract for Stage 4a of the Avon ring road, a 3km section of dual carriageway between Marsham Way and the A4 Bath Road.

Work on the 100-week contract, from Avon County Council, is due to start next month.

Nursing home

LAING NORTH WEST has won a £2.9m contract from Tameside Enterprises for the design and construction of special care facilities for the elderly at Hyde Hospital, Manchester.

The contract calls for a 100-bed nursing home with communal areas, shop and visitor accommodation. Completion is scheduled for February 1994.

Ghana highway

TAYLOR WOODROW has begun a £30m road construction contract in Ghana.

The project, which also involves Taysec Construction, Taylor Woodrow's associate company, is part of a continuing programme to upgrade Ghana's north-south highway, which links the southern ports with the the north of the country and its landlocked neighbours, Mali and Burkina Faso.

UK NEWS

Thief-proofing cars is no joyride, makers discover

John Griffiths on how the industry is responding to calls to improve vehicle security in the wake of an upsurge in thefts

MR Kenneth Baker, the home secretary, is to hold talks with UK car manufacturers today at which he is expected to tell them that they are not doing enough to prevent the vehicles they produce from being stolen by thieves and joyriders.

The talks are to take place against the background of mounting concern about the recent spate of deaths and injuries caused by youths driving recklessly in stolen cars, which has coincided with an upsurge in "professional" car theft.

For the vehicle makers, a new measure of urgency was injected into the issue last week when one of the industry's biggest collective customers, the British Vehicle Rental and Leasing Association (BVRLA), representing companies that buy more than 500,000 new cars annually, accused them of making "little progress" towards a thief-proof car.

Mr Roger Macey, the BVRLA's chairman, commented: "As we have seen all too clearly in recent weeks, the theft of cars has become a blight on our society and is the major cause of the continued escalation in crime rate figures."

He was backed up by Mr Freddie Aldous, the BVRLA's vice-chairman, who is also chairman of Swan National, the TSB-owned vehicle leasing and rental group. "Manufacturers have a clear social responsibility to ensure that cars, vans and trucks are made as difficult as possible to be used illegally, and action cannot be delayed any longer."

Home Office statistics show that a car is stolen every two minutes, day and night.

A car theft index introduced by the Home Office during National Crime Prevention Week earlier this year showed that some high-performance cars were up to 10 times more likely to be stolen than other cars. Presenting the index, Mr Baker also announced the results of a survey disclosing that 75 per cent of motorists questioned would be prepared to pay up to £100 for improved security fitments to a car. The insurance organisations estimate that motor-related crime is costing more than £1bn annually.

This week's meeting is also likely to include discussions on a UK initiative for the EC to draw up security standards for cars, to be applied to all new models produced within the EC. Such measures would include the mandatory fitting of deadlocks and the etching of vehicle identification marks on to window glass.

The Home Office index showed that theft was dramatically reduced where manufacturers – a minority – had themselves already adopted such measures.

The Home Office's theft index showed that five of the seven cars in the "very high risk" category – where 15 per cent of the total were stolen – were high-performance Fords. Low-risk cars, involving fewer than 1 per cent being stolen, ranged from Mercedes to Ford's Anglia, last produced in the 1970s.

The increase looks likely to have a growing impact on the financial burden both businesses and private motorists will have to bear in the form of increased insurance premiums.

The number of cars stolen in the first six months of this year has increased by more than third compared with a year ago, according Commercial Union, to the insurance group, resulting in a 68 per cent increase in the cost of pay-outs.

Nearly 1m motorists insured by Norwich Union face being made to pay the first £100 towards claims made after next month if they do not keep their vehicles in a locked garage.

The Institute of Insurance Brokers is also supporting the principles behind a policy underwritten by Dominion Insurance, the terms of which provide for no pay-out if it is established that a stolen car had been left unlocked.

Not surprisingly, some manufacturers who have taken initiatives to improve security feel that they are being excessively pilloried, given the findings of a survey by the Automobile Association. It found that 70 per cent of surveyed cars had no alarm fitted, 20 per cent had valuables on view and 10 per cent had been left unlocked.

Seeking to improve the picture, the BVRLA in 1988 instituted an annual anti-theft award. Vauxhall won in 1988, 1989 and this year. No award was made in 1990 because the BVRLA felt that no manufacturers had made any significant advances. Vauxhall stands out, according to Mr Aldous, "because it is the first volume manufacturer to look seriously at car security."

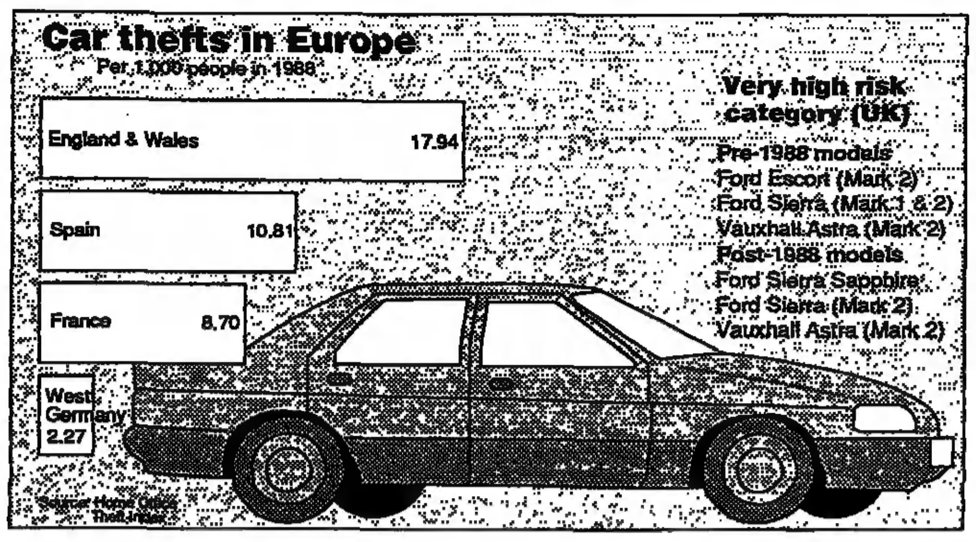
Ford, the UK market leader and whose cars have proved the most attractive, in volume terms, to thieves and joyriders, has stepped up its anti-theft programmes, with factory-fitted alarms now standard on Scorpios, Granadas, Sierras and Orions.

All manufacturers, however, say they doubt whether it will ever be possible to come up with a foolproof anti-theft system, faced with professional thieves who steal cars to order. High technology may eventually provide an answer. Securicor, for example, employs a system using a tracking unit aboard a vehicle, allowing a central control to establish where the vehicle is at any time. Car manufacturers and police forces have begun to examine similar systems as a theft-prevention measure.

Not quite so futuristic is the Invisibeam system produced by Gamma Electronics, which detects the presence of a possible thief lingering near the car and issues a warning via voice synthesiser. If the presumed thief is undeterred, the next warning is that the alarm is about to go off, followed by a countdown.

Vauxhall executives, in particular, are unlikely to take a tongue-lashing from Mr Baker lying down. They are likely to argue that a considerable obligation rests on the government and public to take measures within their own respective powers to curb thieves and joyriders.

A basic obstacle, Vauxhall said at the weekend, is that those outside the industry cannot believe that it is beyond the ingenuity of manufacturers to devise a foolproof system, and suspect instead that the industry is simply not prepared to spend enough money on doing it. Vauxhall comments: "Everything that has been come up with so far, thieves have found an answer to."



Stimulus for capital goods expected

By Philip Coggan, Personal Finance Editor

CAPITAL goods companies will benefit more from the coming recovery than consumer-related industries because of their ability to reduce labour costs, according to a report from UBS Phillips & Drew.

Consumer groups have tended to lead the economy out of recession, with growth in capital-goods expenditure following later.

The report argues that, with growth of less than 1 per cent expected, recovery in 1992 will be mild, corporate profits may rise substantially. That is because job losses, linked to pay deal moderation, will reduce unit labour cost inflation – and thus provide stimulus to profit margins.

The report says that companies with the highest ratio of labour costs to trading profits will benefit most. Among capital goods companies, which produce equipment sold to the corporate sector, those with the greatest potential to improve profits are electronics and engineering. The least such potential is in the motor and building sectors.

Baker defends ITV tendering

By Raymond Snoddy

MR KENNETH BAKER, the home secretary, is prepared to consider practical suggestions that might improve the workings of the commercial broadcasting industry after the competitive tendering process for ITV licences is completed.

At the convention of the Royal Television Society in Cambridge, the home secretary mounted a robust defence of the competitive tendering system.

Mr Baker said the process had produced leaner and more efficient television companies without any loss of quality on the screen.

The process will lead several ITV companies to lose their franchises, and to an increase of up to £300m a year in revenue for the Treasury from the ITV system.

Once the winners and losers are announced in the second half of next month, the home secretary will consider whether any loose ends have been left. It is not yet clear whether the government would take seriously any changes that would require legislation.

Mr David Glencross, chief executive of the Independent Television Commission (ITC), made clear at Cambridge that he would be approaching the government with "a shopping list" after the new 10-year licences were awarded.

At the top of the list would be the government's insistence in the 1990 Broadcasting Act that Independent Television News (ITN) must sell a majority stake to outside investors by 1994.

The ITC accepts that outside investors would be a good idea for ITN, but does not believe they should have control.

"We believe that ITN should be controlled by the people who are its principal customers", Mr Glencross said. Those principal customers are the ITV companies that now own 100 per cent of ITN.

Earlier, Mr Glencross said that "it would be fruitful to engage in discussions with the government" on the issue.

The real worry of the ITV companies is that there might be a conflict of interest between broadcasting and non-broadcasting shareholders on the cost of covering expensive events, such as the Gulf war. They fear that companies seeking return on their investment might overrule the news judgments and needs of broadcasters.

An amendment to the broadcasting act would be required to enable broadcasters to retain control of ITN.

Also at Cambridge, Mr Michael Checkland, director-general of the BBC, spelled out his personal vision for the corporation in the period before negotiations over the renewal of its Royal Charter, which runs out in 1996.

Mr Checkland said the BBC would test the efficiency of its services against the best practices in the outside market. He was determined that the BBC should not become marginalised and that "universality" – ensuring a service available to the entire population – would endure.

The debate on the future of the BBC should first concentrate on what the corporation's purpose should be and what programme services were required before addressing how they should be funded, Mr Checkland argued.

Lord Young, the former trade and industry secretary, attacked Radio 3 as an indulgence that should be abolished, and said the licence fee should be cut to £50 by the end of the century.

Cost cuts of up to 30% seen at BNFL

By Juliet Sychrava

BRITISH Nuclear Fuels (BNFL) will have to cut costs by between 20 per cent and 30 per cent if it is to avoid losing money on the new contract signed with Nuclear Electric, the state-owned nuclear company, earlier this month.

Mr Gregg Butler, who will head BNFL's UK division from October, and is at present head of the company's reprocessing and reactor group, believes the £13bn contract for supplying Nuclear Electric with fuel and reprocessing spent fuel, is fair and will allow the company to stay in business, provided it improves efficiency and makes savings on materials and manpower.

"It will give us a satisfactory profit," he said. "But how satisfactory it is is up to us. For the first time in our history, we could make a negative return. So we have a powerful incentive not to do so."

BNFL, which has reprocessing contracts overseas, notably with Japan and Germany, still relies primarily on contracts with Nuclear Electric.

They were previously structured on a "cost-plus" basis, where BNFL calculated its costs and added a margin.

The new contract, backdated to April 1989, is on a fixed-price basis, but Mr Butler is confident that BNFL can still make a profit.

He said: "If you had showed me this deal in 1989, I would have been dissatisfied. Now I'm happy – not ecstatic, but comfortable."

One of BNFL's main challenges in the future will be coping with the loss of business when Nuclear Electric is forced to close its older Magnox reactors, which is due to happen within 10 years.

"Even with Thorp [the company's £1.85bn reprocessing plant due on stream at Sellafield in Cumbria next year] fully on line, we will have lost over half our business," said Mr Butler.

Of the company's £124m post-tax profit in 1990, nearly a a third of that was made from the sale and reprocessing of fuel for Nuclear Electric's older Magnox stations.

Even so, Mr Butler firmly rejects claims made by Sussex University's Science Policy Research Unit that Thorp, which will reprocess fuel from advanced gas-pressure reactors, would not be economic.

He believes it is unrealistic to criticise BNFL for not having signed up a full complement of reprocessing contracts for the second 10 years of Thorp's operation.

"No other industrial plant in Europe has even the first 10 years of its order book signed up," he stressed.

UK NEWS

Labour mood buoyed by swing in polls

By Ivo Dawnay, Political Correspondent

LABOUR will today step up its attacks on the government's record on domestic issues, strongly buoyed by a new opinion-poll lead and the prospect of more troubles for the Tories in winter by-elections.

Its pre-conference onslaught started yesterday with claims that rising unemployment, business failures and repossessions of mortgaged homes should encourage the government to seek an early election rather than risk a spring poll.

That message was hammered home by senior Labour spokesmen yesterday after a Mori opinion survey in The Sunday Times showed the party 4 points ahead on 43 per cent, the Tories on 39 per cent and the Liberal Democrats on 14 per cent.

The poll – reversing a Tory lead of up to 5 points a week ago – is the first this month to show Labour ahead, leading party officials to conclude that the "halo effect" from Mr John Major's diplomacy earlier in the month has evaporated.

Speaking in a BBC radio interview, Mr Jack Cunningham, Labour's campaign coordinator, said the poll findings vindicated the leadership of Mr Neil Kinnock, who has recently suffered ferocious criticism in the Tory tabloid press.

He said: "It demonstrates that when the people of Britain are confronted with the realities of the domestic political agenda . . . then Labour's appeal is very strong."

That analysis was firmly rejected by Mr David Mellor, the Treasury chief secretary.

Neil Kinnock: Labour strategists said yesterday that his leadership had been vindicated by the latest poll findings

He said a revival in confidence in the economy and lower inflation meant that the Conservatives' position would strengthen in the weeks ahead.

With a November poll all but ruled out by both parties, the Tories are faced with the prospect of three potentially damaging by-elections in the coming months. The death at the weekend of Mr Richard Holt means that a by-election must be held in the highly marginal Langbaugh constituency in Cleveland, where the Conservative lead over Labour is just 2,088.

To that must be added pending by-elections in Kincardine and Deeside, a seat that would fall to the Liberal Democrats on a 4.3 per cent swing, and another in Labour's Yorkshire stronghold of Hemsworth.

● Mr Keith Vaz, the Labour MP campaigning for depositors and staff of the scandal-hit Bank of Commerce and Credit International, said last night that Lord Justice Bingham had indicated that his inquiry into the bank's shutdown will not be completed until after Easter next year, possibly after the forthcoming election.

Sillars voted SNP deputy leader

By James Buxton, Scottish Correspondent

THE Scottish National party ended its annual conference at the weekend after electing Mr Jim Sillars, MP for Glasgow Govan, as its deputy leader.

Although both Mr Sillars and the party leader, insisted that they formed a united front, the election of Mr Sillars may cause difficulties for Mr Salmond.

The Inverness conference, which many party delegates felt was one of its most successful in recent years, proclaimed the slogan "Scotland Free by '93" – an attempt to match in Scotland the sudden winning of independence by the Baltic states.

The party also adopted new policies, including the renationalisation of the electricity, gas and transport industries, a move to the left intended to attract Labour voters.

Mr Salmond is soon to announce the party's first shadow cabinet in an effort to present the SNP as a potential party of government rather than of protest.

Mr Sillars' decision in July to stand for the deputy leadership against the incumbent, Mr Alasdair Morgan, whom he defeated by 279 votes to 184, was apparently conceived partly out of frustration at the party's performance under Mr Salmond.

Since then, new initiatives in presentation and policy, in which Mr Sillars and his allies have played an important part, have put a new spring in the step of the party, which was reflected in the mood of the conference. It stands at 19 per cent in the Scottish opinion polls.

● Mr Ian Lang, Scottish secretary, accused the SNP of offering Scots a "programme for national humiliation". Having failed with "pure nationalism", they were offering "a cocktail of nationalism heavily laced wih socialism, and topped up with dependence on Europe". In a dig at former Bond star Sean Connery, who has made a broadcast for the SNP, he said: "Such a cocktail would leave Scotland badly shaken and stirred."

Jobless rise forecast to cost £21bn

By Rachel Johnson, Economics Staff

UNEMPLOYMENT'S rise to 2.5m people this year will cost the Exchequer £21bn this year, increasing the already fierce pressure on public spending in the period before the general election.

That is the view of a report published today by the Unemployment Unit, a research group that campaigns for the unemployed.

Each unemployed person annually costs the Treasury £8,900, the group says.

That is sharply higher than its previous estimate, made last autumn, that the Exchequer loses £8,300 for each unemployed person as a result of unemployment measures, central government spending and lost revenues.

The estimate of £21bn for the whole of 1991 compares with £15bn on unemployment spending in the fiscal year 1990-91, which included £5m on benefit payments, £770m in administration and £9bn in lost income and indirect taxes and National Insurance contributions.

On the basis of spending in the year to April 1991 and the forecast rise in unemployment from a current 2.4m to 2.5m by the end of the year, the Unemployment Unit estimates that spending will exceed £20.7bn in 1991.

Blow to Tories' 'green' campaign

By Ivo Dawnay, Political Correspondent

EFFORTS BY the government to seize the electoral high ground on environmental issues suffered a serious setback yesterday when it emerged that plans for a powerful new anti-pollution agency have been delayed.

As recently as last July, Mr John Major sought to emphasise his "green" credentials by promising the rapid creation of a unified watchdog, merging the responsibilities of Her Majesty's Inspectorate of Pollution with the work of the National Rivers Authority.

The prime minister singled out the plan as evidence of the government's determination to build on the work of its comprehensive white paper – This Common Inheritance – published a year ago.

The proposal has now been put back indefinitely after insistence by Mr John Selwyn Gummer, the agriculture minister, that at least some of the NRA's anti-pollution responsibilities should be switched to his department.

Government business managers are also understood to have opposed any legislation on the agency in the coming session on the ground that it might provoke controversy in the approach to an election.

Instead of a firm plan, the government is expected to issue a consultation paper next month which will, in effect, postpone a firm decision, probably until after an election.

Disclosure of the delay could not come at a worse moment for the government. Mr Michael Heseltine, the environment secretary, is due to issue on Wednesday the first annual "audit" on the government's environmental record since the white paper was published.

The occasion was intended to trumpet the Conservatives' record and outline a new green agenda that would form the core of the party's commitments for the election manifesto.

Meanwhile Greenpeace, the environmental group, will today publish a 73-page report alleging "confusion and gross incompetence" by the government in its environmental policy.

Organic apples enter politics

David Owen reviews the highlights of the Green party conference

IT WAS quite a week for the Green party, even by its own unconventional standards.

First, it received a plea – which it rejected – not to stand against Liberal Democrat candidates in the general election. Then it had its political legitimacy solemnly endorsed on national television by both Mr William Waldegrave, the health minister, and Dr David Owen, the former SDP leader.

Finally, it backed fundamental internal reforms, designed partly to turn it into a more effective electoral fighting force – after a meandering and occasionally vituperative debate during which the reformists were accused of wanting to set up "an insulated, isolated politburo".

Whether that potentially far-reaching decision will transform the party and help it towards its medium-term goal of becoming a significant force at Westminster remains to be seen.

For the moment, it is still the same old faintly anarchic, highly principled, eccentric bunch. As Mr Jonathon Porritt observed at a crowded fringe meeting in a dingy polytechnic lecture hall: "The idea of telling the Green party what to do is a totally futile one."

NEITHER Mr Jonathon Porritt nor Ms Sara Parkin is to stand in the forthcoming ballot to elect two Green party principal speakers.

The party's best-known national figures ruled themselves out of the contest as the autumn conference drew to a close in blustery Wolverhampton.

Ms Parkin is considering standing for a seat on the new party executive, however.

The two new figureheads - one man, one woman to be elected annually - are likely to be among the six "front bench" speakers chosen by the party during the conference.

They are: Ms Janet Alty, Mr Mallen Baker, Mr David Fitzpatrick, Ms Jean Lambert, Ms Caroline Lucas and Ms Jan Clark. It is not clear whether the new structure will be in place in time for a November general election.

Item: Where else but at a Green party conference would a carrier bag full of organic apples be used as a political instrument? "Free to all who intend to abstain in the Green 2000 debate [the reform motion]," said an attached note on Friday night. "Watch out for the grotty bits."

By Saturday, that had changed. The new rubric read: "Following widespread consultation with all sections of the party (in the bar last night) these apples are free to anyone prepared to accept and work within whatever constitution we have after the motion has been discussed."

Item: Where else would you hear the question: "I would like to know if I can move a procedural motion while another procedural motion is being debated"?

Item: And where else would an acrimonious debate conclude with all present holding hands and observing a minute's silence?

In terms of policy, the conference voted for a progressive liberalisation of Britain's immigration laws and a comprehensive revision of asylum laws, policies and practices.

It formally endorsed a "defensive defence" policy committing it to unilateral nuclear disarmament. It rejected proposals to do away with professional armed forces in favour of a trained reserve force.

In a keynote address, Ms Caroline Lucas, prospective parliamentary candidate for Oxford East, urged conference to "reclaim the radical".

She said: "To imagine, as Mr Ashdown does, that a penny on income tax to fund education, a federal Europe and a single currency are radical . . . is aspirin for the cancer victim."

There was little mention of the party's financial difficulties, caused chiefly by dwindling membership and the enforced write-off of some substantial debts. It is budgeting for a surplus of just £562 in its 1991-92 fiscal year.

Such lack of resources, coupled with the period of readjustment that the agreed reorganisation will inevitably bring in its wake, do not bode well for general election prospects. The party is running at about 2 per cent in the polls.

Nevertheless, in a handful of seats the Greens might make a difference, as the Liberal Democrats are clearly aware.

They include Richmond and Barnes, a perennial centre-party target, and Ceredigion and Pembroke North.

In the latter case, a joint Green/Plaid Cymru candidate seems likely to provide a stiff challenge for Mr Geraint Howells, the sitting Liberal Democrat MP.

Group launched to promote the classics

By Catherine Milton

A PRESSURE group to promote the study of the ancient world is launched today, called Friends of Classics. It aims partly to fight for the maintenance of classics teaching in schools and to encourage the study of classics for pleasure.

The group will offer lapsed classicists the chance to rediscover their Latin and Greek and will provide financial help for those who have never had the opportunity to study classics. Funds will be raised through subscriptions and donations. Dr Peter Jones, senior lecturer in classics at Newcastle University, said: "Contrary to what the government says, there are some problems which can be solved by throwing money at them."

Friends of the Classics has won support from senior figures in the City and industry. It hopes that the backing of businessmen who have no vested interest will lend weight to classicists' claims that the subject is important.

Among the eight patrons of the group are Sir Nicholas Goodison, chairman of TSB, and Sir Jeremy Morse, chairman of Lloyds Bank, as well as Dame Iris Murdoch, the writer, and Anthony Cleaver, chief executive of IBM UK.

Disaster funding criticised by Oxfam

By Edward Mortimer

THE BRITISH government's method of financing disaster relief operations has been criticised by Lord Judd, director of the charity Oxfam.

In a speech to the Royal Institute of International Affairs Lord Judd described as "truly outrageous" the system by which the UK government's Ministry of Defence bills the Overseas Development Administration (which has a much smaller budget) for the cost of using the armed services to help victims of natural or man-made disasters, such as the Kurds and Bangladeshis earlier this year.

"It is absurd," he said, "that ODA should be recharged for the services provided.

"Frequently service of this kind by the armed forces has a tremendous morale and training significance for those involved."

Lord Judd, who as Mr Frank Judd was a foreign office minister in the last Labour government, also said that many deaths in the early days of the Kurdish emergency could have been prevented if there had been "a UN supremo in the field with the direct personal authority of the Secretary General, with access to experts, funds, buffer stocks of relief items" and the authority to liaise with voluntary agencies and the Turkish government.

He called on the UN Security Council, "as the effective 'clout' of the international community when the will exists, to put humanitarian needs as firmly on its agenda as other political crises", and in particular to take responsibility for people displaced by internal conflicts.

At present such people fall outside the mandate of the UN High Commissioner for Refugees, since refugees are defined as people forced to leave their country.

As an example, Lord Judd cited 1.8m displaced people in Sudan who, he said, "[redacted] being forcibly removed by [redacted] government to makeshift and inadequate holding camps".

The responsibility, he suggested, could be given either to UNHCR or to a new deputy secretary general.

Major warned of tax crisis before election

By Philip Stephens, Political Editor

UK MINISTERS are warning that prime minister Mr John Major risks a new political crisis over the controversial poll tax in the run up to a general election unless the Treasury provides up to £1bn more for local authorities.

Their concern comes amid further evidence from the opinion polls that the prime minister will be unable to risk an election before next spring.

It coincides also with a tacit admission in the government's administration that separate negotiations over departmental budgets [redacted] next year will result in [redacted] overshoot in the Treasury's overall spending and borrowing limits.

The departments of health, education, social security, and transport have told the Treasury they cannot scale back bids for [redacted] without undercutting Mr Major's personal commitment to better public services.

As a result the Treasury is expected to be forced to add around £5bn to its £221bn spending target [redacted]

The level of support for local authorities [redacted] in July after negotiations between Mr Michael Heseltine, the environment secretary, and Mr David Mellor, the chief secretary to the Treasury.

Mellor (left) at the treasury, faces Heseltine at environment, and Clarke at education

Mr [redacted] agreed to [redacted] £1.1bn to the exchequer's contribution in the 1992/93 financial year starting next April, taking it to a total of £33.1bn. The announcement was coupled with [redacted] warning that the government [redacted] "capping" [redacted] prevent [redacted] from loading excessive spending on to poll tax bills: the new local per capita levy for public [redacted] vices.

The [redacted] is now being [redacted] council responsibilities - notably education, social services, policing and fire brigades - before being [redacted] further into grants for individual councils.

Ministers responsible for the [redacted] now [redacted] significantly [redacted] the [redacted] on local [redacted] They are warning that unless it is increased Mr Major will face either cutbacks in politically-sensitive [redacted] round of sharp increases in poll tax bills.

Their irritation has been increased by reports that Mr Heseltine could have secured more had he fought harder in July. One senior Whitehall official [redacted] Treasury would handed over £1.5bn.

The [redacted] settlement provides for an increase of about 4.5 per cent over the present financial year in local authority spending. The Treasury insists that it is realistic in the light of the expected fall in inflation to below 4 per cent. It argues also that councils could find another £800m from their reserves.

The spending departments, whose concern has been intensified by the increase this year in poll tax non-payment, believe the generous pay awards in prospect for teachers, the police and fire staff undercut the calculations. According to one senior minister, at least £500m more is needed to meet their obliga[redacted] towards [redacted] groups.

In addition [redacted] growing support within the Cabinet for abolition of the rule that even the [redacted] must pay 20 [redacted] their poll [redacted] bills. The Treasury has fiercely resisted abolition, which would cost it another £400m. The ministers believe, however, that as the political pressures intensify with the approach of the election, [redacted] prime minister will [redacted] forced to intervene directly on [redacted]

EMPLOYERS' MONTHLY TRENDS SURVEY

UK manufacturers signal return to optimism

By Rachel Johnson [redacted] Diane Summers

[redacted] MAJORITY [redacted] UK manufacturers expect output volumes to improve for the first time in sixteen months, adding weight to recent claims from both the Bank of England [redacted] the government that the economy is climbing out of recession.

According to the UK employers' association, the Confederation of British Industry, in its latest monthly trends enquiry, the protracted decline in manufacturing output is expected to come to an end over the next four months, stimulated by a slight improvement in home and export orders.

The enquiry for September, which interviewed 1,456 companies, accounting for half the UK's manufacturing exports and employment in 50 industries, records its first positive balance on output expectations since May 1990.

Over the next four [redacted] 21 per cent of companies expected their output to improve, while 20 per cent expected a further [redacted] The [redacted] between the two, which gives a guide to current trends, was a slight, but positive 1 per cent. [redacted] with a negative balance of [redacted] per cent in August and a ten-year low of minus 36 per cent in February.

"This is the most positive sign yet that manufacturing industry is beginning to move out of recession," said Mr David Wigglesworth, chairman of the CBI's economic situation committee. He pointed out, however, [redacted] remained very weak and that signs of recovery were "still patchy."

[redacted] CBI's caution [redacted] in with the warning given by Mr Norman Lamont, the chancellor of the exchequer, in an interview last week. He said that though economic statistics [redacted] uraging [redacted] of a turning point, the [redacted] would have "jagged edges."

Evidence of the continuing strain imposed by the recession [redacted] industry remained plentiful. While food, drink and tobacco and chemicals industries would have the strongest upturn, the engineering industry expected the downturn to continue.

And in response to subdued demand conditions at home, more companies were planning to cut prices than raise them for the second month running, helping the government's ultimate objective of low inflation.

[redacted] export orders books remained "well below normal" and stocks of finished goods were staying "above desired levels," the CBI reported.

There was less [redacted] inflation news from the government from a survey on pay [redacted] by [redacted] Data Services, the pay [redacted] group.

It said that the relationship between pay and the inflation rate as measured by the retail prices index had changed. Inflation now acted as a "floor" for pay settlements, rather than as a "ceiling", as it was in the [redacted] half of 1990.

Pay settlements over the coming months would be between 5 per cent and 7 per cent, therefore exceeding the rate of inflation, which is expected to fall to 4 per cent or below by October.

The same pattern emerged during the last recession, when inflation fell from 12 per cent to 5 per cent in the year to January 1983. A long period in the mid 1980s [redacted] inflation ran roughly [redacted] 4 per cent and 5 per cent, and pay settlements at 5 per cent to 7 per cent.

Lower inflation [redacted] coming months is [redacted] to mean fewer [redacted] pauses and freezes and, once inflation stabilises, there should also be [redacted] greater number of long-term deals, the group predicts in its annual report on pay and bargaining prospects for the coming year.

Entry [redacted] European exchange rate mechanism is likely to have a stabilising effect on pay settlements and average earnings, although the report notes that "economic instability within the whole of Europe may well haunt whichever party wins the forthcoming UK general election".

IDS points to a number of agreed pay increases for this [redacted] They include four car manufacturers that [redacted] predetermined rises as the second stage of two-year deals. In November, Rover is due to pay 7.5 per cent and Jaguar has agreed 7 per cent; in [redacted] both Nissan and [redacted] have agreed to pay 7 per cent.

PENSIONS

Challenge to Lucas clawback proposal may set test case

By John Plender

PLANS BY Lucas Industries to claw back £90m from [redacted] surplus in the Lucas pension scheme have run into an [redacted] challenge from [redacted] former trustee.

Mr Simon O'Leary, a retired employee of the motor component and aerospace group, has written to the Occupational Pensions Board (OPB), the body required by the government to sanction any transfer of pension-fund surpluses [redacted] the company, attacking the basis of the proposition.

Mr O'Leary, [redacted] representative who sat on the Lucas Staff Pension Fund Trustee Board for 14 years, has alleged a breach of trust by the fund's trustees.

[redacted] is threatening to [redacted] legal action if the OPB sanctions the transfer, which would cost the pension fund £150m before [redacted] tax payment of £60m to the Inland Revenue.

The proposed modifications to the Lucas pension scheme trust deeds, which have won union approval on the basis of an accompanying improvement in employee benefits, are due to be considered by an OPB committee on Wednesday.

Approval would normally require the committee to be satisfied that [redacted] company's claim to the pension-fund surplus was balanced by a genuine promise to meet any pension-fund deficits.

Mr O'Leary's letter to the OPB, of which the Financial Times has a copy, alleges that the late Sir Bernard Scott, the former Lucas chairman, told trustees that the company would not finance any shortfall in the pension fund. The letter adds that Sir Bernard, who was also chairman of the pension-fund trustees, said: "In the event of a shortfall, some solution other than extra money from the company would have to be found." The attitude was reiterated several years later, according to [redacted] letter, by a director who was also a trustee.

Lu[redacted] Industries has confirmed that although the company has made additional pay[redacted] into the fund to [redacted] improved benefits, it ha[redacted] put in money to meet deficits. The company added that the [redacted] had taken independent [redacted] advice from that taken by the company.

Mr O'Leary is calling for the Lucas pension-scheme surplus to be used to increase benefits to the maximum level permitted by the Inland Revenue.

He also argues to the OPB that it is imprudent for £150m [redacted] the fund's surplus [redacted] be removed while the implications of the recent European Court [redacted] ruling in Barber v Guardian Royal Exchange remained [redacted] The ruling calls for the equalisation of male and female retirement ages without indicating how that should be achieved.

Lucas's proposed move [redacted] extract money from the pension fund follows the accumulation of [redacted] substantial surplus in the 1980s, due to [redacted] redundancies and [redacted] successful investment performance. This resulted in the company ceasing to make contributions into the fund from 1985, although employees continued to contribute.

The company's request for the grant [redacted] odification order under new government rules on the treatment of pension-fund surpl[redacted] could present an important test for the Occupational Pensions Board, in the light of Mr O'Leary's challenge. The [redacted] pension funds [redacted] employees [redacted] together owned 13.2 per cent of [redacted] share capital of Lucas [redacted] the [redacted] sheet date.

● THE EFFECTS of the engineering unions' campaign for a shorter working week have spread widely to other sectors during the past year and will influence negotiations in many parts of industry in coming months, according to Incomes Data Services. National industry agreements in engineering construction and the scrap metal industries for reductions from the present 39 hours a week might provide springboards for reductions elsewhere in the construction sector as well as in iron and steelmaking and the car industry, IDS says.

MANAGEMENT

Health chiefs prescribe commercial discipline

Alan Pike reports on West Berkshire's plans to hand over non-medical support services to the private sector

B[redacted] next spring, West Berkshire district health authority plans to have handed over the management of large parts of its non-medical support services to the private sector. The mo[redacted] [redacted] being watched with fascination by managers elsewhere in the National Health Service, and with apprehension by [redacted] of West Berkshire's own managers and union representatives.

Competitive tendering for [redacted] [redacted] commonplace in today's health service, and *other forms of commercial* activity are growing – in some hospitals the traditional [redacted] run by volunteers from the league of friends has given [redacted] to swish, privately-managed shopping malls.

But most commercial involvement [redacted] for single [redacted] vices and [redacted] Berkshire's "facilities management" pro[redacted] [redacted] the [redacted] extensive ever attempted in the NHS.

West Berkshire originall[redacted] [redacted] asking [redacted] private sector [redacted] over the provision and management [redacted] entire [redacted] of general support [redacted] – a [redacted] *of* activities ranging [redacted] ing and portering to building [redacted] clerical and secretarial functions.

When [redacted] was mooted, the authority's own hospital [redacted] argued [redacted] support [redacted] which came into direct contact with patients, like cleaning and portering, [redacted] remain [redacted] in-house control.

They will – provided the in-house teams deliver [redacted] same level of efficiency improvements as [redacted] authority expects to [redacted] from [redacted]

[redacted] management, [redacted] disposal, laundry [redacted] linen, sterile supplies, non-ambulance transport [redacted] new [redacted] catering unit [redacted] will supply hospitals [redacted] Berkshire [redacted] neighbouring [redacted] Berkshire and Wycombe health authorities now form [redacted] of the proposed [redacted] management [redacted]

[redacted] considering bids from [redacted] of organisations [redacted] relevant experience, [redacted] authority [redacted] negotiations with [redacted] Total [redacted] Management, part of [redacted] shipping group.

Most [redacted] plete, and [redacted] recommendation to go ahead with the scheme is likely [redacted] considered by [redacted] health authority [redacted] meeting.

P&O would appoint an [redacted] all manager to [redacted] the [redacted] five-year contract, who would [redacted] supported by [redacted] half [redacted] executives in charge [redacted] areas including personnel, accounts, [redacted] services, engineering and building maintenance. Robin Booker, P&O Total Facilities [redacted] managing director, [redacted] that [redacted] positions would [redacted] filled by existing NHS managers working [redacted] Berkshire – which covers the Reading area – or other authorities.

"Our top [redacted] would [redacted] NHS experience. [redacted] must have people who understand [redacted] is all about."

P&O, itself, through [redacted] own catering and other subsidiaries, might operate some [redacted] the [redacted] it will be [redacted] ing. Others would be con[redacted] companies, [redacted] new small businesses formed by groups of existing health authority employees.

"It might turn [redacted] only [redacted] people directly employed, with [redacted] one [redacted] working [redacted] contrac[redacted] Alternatively, we might employ more," [redacted] Booker. "Pay [redacted] would [redacted] negotiated by [redacted] contractor providing [redacted] service. But we would [redacted] sub[redacted] who [redacted] conditions."

In spite [redacted] this assurance, the plan has not found favour with unions representing the health authority's employees. They [redacted] that [redacted] will [redacted] of jobs and a [redacted] in both the quality of [redacted] and conditions [redacted] employment.

Hundreds of the health authority's staff [redacted] likely [redacted] be [redacted] redundant under [redacted] move [redacted] the [redacted] management contract. [redacted] unemployment in the Reading [redacted] relatively low, many are likely [redacted] re-employed by [redacted] contractors. For some [redacted] viduals, this will [redacted] for the loss [redacted] security.

The health authority [redacted] that the contract with [redacted] will [redacted] at least £500,000 [redacted] year, and that efficiency improvements in the services remaining in-house will yield similar savings [redacted] £16m general support [redacted] budget.

In [redacted] bid [redacted] deliver their [redacted] of [redacted] savings, [redacted] in-house teams [redacted] likely [redacted] consider developing generic working among support staff – [redacted] "porters who also change light bulbs" approach.

P [redacted] O would provide [redacted] vices for a fixed fee rather than taking [redacted] in [redacted] savings, and [redacted] company [redacted] health authority believe [redacted] eventual [redacted] gain may [redacted] greater than [redacted] target £500,000.

[redacted] of the contracted-out services, [redacted] laundry, contain potential for income genera[redacted] through taking [redacted] non-NHS work.

Kevan Jones, the health authority's director of personnel and [redacted] that [redacted] managers will also find opportunities for [redacted] – [redacted] ple, [redacted] authority currently has three departments [redacted] *sible for* [redacted] management.

"We are planning to introduce facilities management because [redacted] in the business of providing health care," he says. "This [redacted] that [redacted] must get maximum value for money to invest in patient [redacted] and [redacted] our manage[redacted] where they are most needed.

"For instance, the authority [redacted] more than 400 residential properties for staff and we employ [redacted] own workforce to maintain them. [redacted] have [redacted] ask ourselves whether it is right that [redacted] health authority should be devoting [redacted] aging houses. Just because things [redacted] been [redacted] in [redacted] certain [redacted] since the NHS was formed in [redacted] does not [redacted] it [redacted] necessarily [redacted] way to carry on."

This question is more than one of managerial philosophy. Health authorities are finding it increasingly difficult to [redacted] good specialist [redacted] of their non-core activities, where [redacted] development opportunities [redacted] tably more limited than in mainstream health [redacted] agement.

West [redacted] plans to set up a [redacted] management board, consisting of [redacted] authority members and manag[redacted] and representatives [redacted] the in-house [redacted] will review the performance [redacted] all contracts, monitor [redacted] attitudes [redacted] take remedial [redacted] problems [redacted]

It [redacted] follow the conventional competitive tendering formula [redacted] producing highly [redacted] specifications.

Michael Taylor, [redacted] health authority's district general [redacted] companies consulted on [redacted] management plan [redacted] disen[redacted] – along with many [redacted] – by [redacted] bureaucracy associated with the [redacted] traditional competi[redacted] tendering [redacted] have refused invitations [redacted] for services which they perceive as unreal[redacted] in complexity [redacted] wholly motivated [redacted] drive down costs."

[redacted] Berkshire hopes [redacted] found a more [redacted] way [redacted] introducing [redacted] disciplines [redacted] the NHS. The scheme will [redacted] start [redacted] next year but, in [redacted] more commercial atmosphere generated by this year's [redacted] reforms, [redacted] Berkshire is already receiving visits from [redacted] in other [redacted] engaged [redacted] the same quest [redacted] improved financial efficiency.

[redacted] break: [redacted] plans include [redacted] laundry [redacted] Battle [redacted] in [redacted]

No hostage to fortune

Tim Lawrence on corporate methods of outwitting kidnappers

Last month's spate [redacted] kidnappings involving employees from *Thomas* Cook, Tesco and the Post Office has considerably "sharpened companies' minds to the risks [redacted] hostage-taking," according to Ray Anning, chairman of Securicor Consultancy.

Securicor itself had its [redacted] mind sharpened [redacted] the wife of one [redacted] its drivers was taken [redacted] in [redacted] last December and the kidnappers forced the husband [redacted] hand over [redacted] than £2m.

"Criminals [redacted] got [redacted] market lead, and [redacted] never know what the competition [redacted] until it [redacted] hostile bid," [redacted] Mike Hoare, [redacted] con[redacted] "Hostage-taking [redacted] the [redacted] method [redacted] have [redacted] among [redacted] criminal fraternity."

[redacted] senior executives are receiving high-level protection, company buildings are covered by closed-circuit television and safes are impossible to pick and immune to explosives, criminals have devised [redacted] of [redacted] access [redacted] cash. They have found that targeting [redacted] has [redacted] large amounts of money, and subsequently kidnapping his family until [redacted] ransom is paid, is one way of get[redacted] security procedures.

Gerry Mars, [redacted] specialist in management and criminology [redacted] School [redacted] Management, predicts [redacted] will [redacted] of imitations. "You start [redacted] somebody having an [redacted] works, [redacted] method [redacted] routine [redacted] a growth [redacted] activity."

According [redacted] Kelvin Hard, [redacted] consultant in organisation and human resources [redacted] Coopers [redacted] Lybrand Deloitte, "there [redacted] certainly [redacted] degree of panic in mid[redacted] management about [redacted] increase in hostage-taking and [redacted] higher corporate levels there [redacted] recognition [redacted] procedures," he says.

Companies which handle [redacted] money should identify which employees are most [redacted] from kidnapping, according [redacted] security [redacted] tants. They should reassess their cash-handling methods to minimise [redacted] the number of people at risk and the [redacted] of risk they face.

Procedures to minimise risks at work include: non-accessible cash deposits; more frequent [redacted] collections; a dual key arrangement whereby two *keys carried by two people* [redacted] needed [redacted] gain access [redacted] cash; and [redacted] time-overlock system, whereby the safe [redacted] automatically locked outside business hours.

At [redacted] locks, alarms and exterior lighting can be used to deter kidnappers and families should be on their guard when answering the door and answering strange telephone [redacted] A secure room with an independent means of communication such as a cellular telephone could provide a valuable refuge.

Vehicles should be protected by installing computerised tracking systems, which can [redacted] within [redacted] and [redacted] alarms connected to the police. Routes should be varied regularly.

Families – especially wives and children who are likely to suffer particularly from the trauma – should be briefed about the risks of kidnapping and the terror tactics the hostage-takers are likely to employ. If the victims understand the kidnappers' mentality they are less likely to be terrified and will be able to defuse the tension by meeting the kidnappers' demands.

H[redacted] the introduction [redacted] security [redacted] can cause further problems, according to Hoare, because the more [redacted] protected, the greater [redacted] be in.

For instance, when a [redacted] lock device is in use, "if the kidnapper can get the vehicle off the road for long enough then the time lock will come off. All you could be doing is to make the kidnap last longer," says Hoare. Also, while educational seminars for families and advice to drivers to vary their routes costs relatively little, sophisticated equipment, such as alarms, is much more expensive.

As a result of the incident involving one of its drivers last December, Securicor showed a training video to all its employees about what could happen and what their reaction should be. Mike Waller of Securicor Consultancy admits that while alarms are installed in the homes of the company's senior executives, the cost of providing similar protection for Securicor's 40,000 employees would be "astronomical".

Companies will have to consider a range of factors before deciding whether the risk of a kidnap outweighs the cost of effective security, according to Philip Topping, director of the Centre for Risk Management at Cranfield. These factors include the likelihood of the victim suffering *long-term* trauma, what [redacted] any kidnap would have on a company's efficiency, including the knock-on effects [redacted] period of absence, and the ransom itself.

There is also a possibility that this ransom might take the form of industrial espionage [redacted] – especially with information technology companies, where the pace of product change is frenetic and the need to [redacted] up [redacted] competitors imperative.

[redacted] of image must also be taken into consideration, says Topping. Kidnappings of employees [redacted] companies which build their reputation [redacted] rity such [redacted] building societies and security compa[redacted] could undermine public confidence.

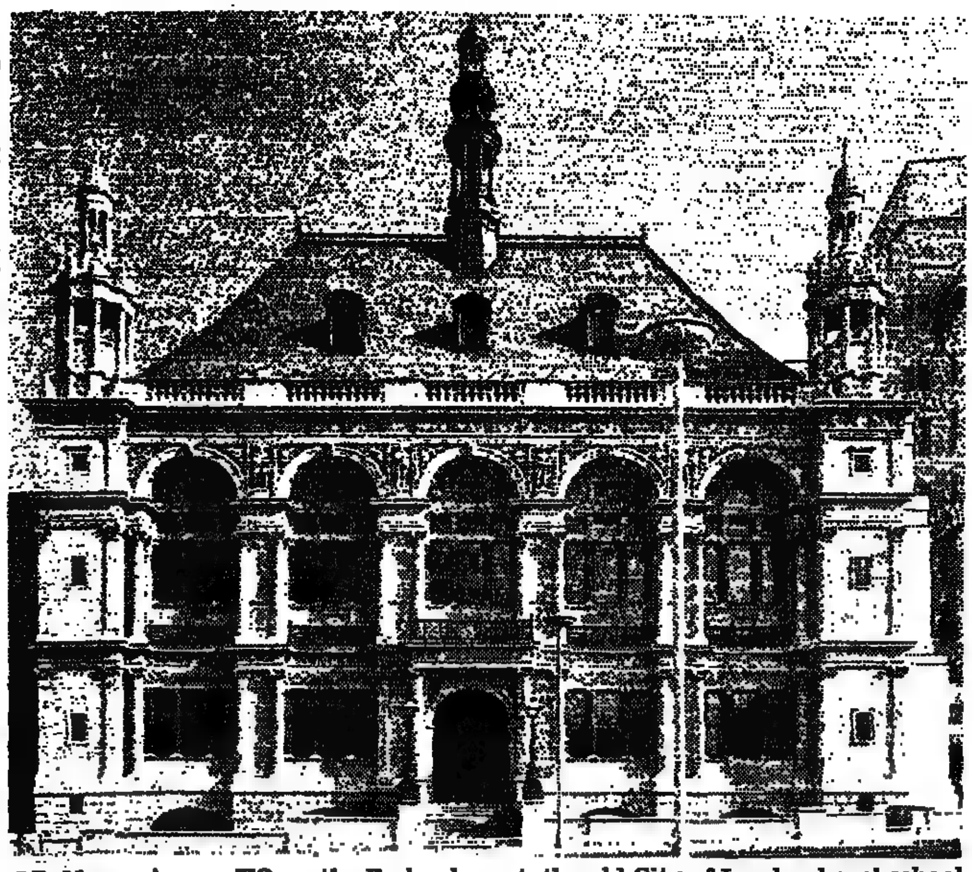
[redacted] believes that companies will only adopt preven[redacted] tive measures [redacted] it becomes economic to do so. So far there have not been enough kidnappings to convince companies to take sufficient action, he says.

There is one final dilemma for companies to confront. If you collaborate with a hostage-taker once then he could well return [redacted] second time. *Simon* [redacted]msdale, a security consultant at Control Risks, [redacted] "the prospect of successful law enforcement action, [redacted] the interests of removing the threat, [redacted] extremely important. However, [redacted] fying and capturing the kid[redacted] implications for the family involved. In [redacted] context, adequate preparation and training, [redacted] and employers, is [redacted] important."

Nevertheless, three people [redacted] been charged in connection with the kidnapping of the [redacted] manager and Hard [redacted] that there [redacted] generally a high detection [redacted] for kidnappings.

Ian Johnson, another consul[redacted] is equally optimistic. "These things need not go [redacted] that long. It is not [redacted] though we are in Sicily or Lebanon, where kidnappings have been going on since the year dot."

ARTS



J.P. Morgan's new HQ on the Embankment: the old City of London boys' school

ARCHITECTURE

Bankers opt for a classical front

Banking nowadays is very much a matter of appearances. Invisible earnings need visible surroundings and when a bank of the quality and prestige of J.P. Morgan opens an important new London headquarters, it is both a banking and architectural event.

Morgan took the unusual course [illegible] buying a prominent [illegible] building on [illegible] Embankment with sufficient adjoining [illegible] for a large new office facility. The [illegible] building, the old City of London School, was vacated in July 1986 when the City built new school premises further downstream in Queen Victoria Street, and is a key landmark on the riverside by Blackfriars Bridge.

It was built in 1881-2 to the designs of architects David and Emmanuel. It is a giant two-storey Portland stone building with twin columned turrets and a high central spire on the apex of a steeply pitched slate roof. There are five great arches carried on a double order of coupled columns; the great windows are recessed behind these arches and they light the enormous school hall – a space of intimidating grandeur. Only the headmaster, the sixth form and the prefects were allowed to use the main entrance on the Embankment. Morgan intends to continue this tradition, only using the riverside entrance for ceremonial occasions.

The new entrance to the bank is to the west side on John Carpenter Street and it marks the link between the old and new. The whole project, masterminded by the Building Design Partnership, comprises two separate new blocks, known as the Main and [illegible] Island buildings. The Main building is a six-storey granite faced block – almost gigantic is scale. The much smaller neighbouring new building looks like a mere puppy alongside.

The whole neighbourhood between Fleet Street and the Thames is part of the Whitefrairs Conservation Area, which a mere pedestrian may find hard to believe as he walks past solid phalanxes of new office buildings. There are a few Edwardian neighbours in blushing brick, but the density of new commercial palaces suggests a latter day Florence rather than an intimate jumble of City streets. Down Dorset Rise you see only new buildings and a view across the river of the hideous headquarters of Sea Containers.

The long side views of Morgan's building continues the impression of a Florentine palazzo with a large overhanging cornice. The architects describe the approach as "being disposed toward the principles of classicism". Because of the tight grid-like nature of the surrounding streets the passer-by receives only oblique views of the facades.

The long west [illegible] formal organisation [illegible] spaces within. The [illegible] elevation is controlled by a giant Doric entablature with the trading [illegible] occupying [illegible] piano nobile supported by a [illegible] Tuscan entablature. It [illegible] the familiar language of bank buildings [illegible] the 20th century – using classicism to evoke dignified [illegible] of integrity. At [illegible] important corners [illegible] buildings [illegible] river, [illegible] are [illegible] pergolas. The strong [illegible]ture of the whole building [illegible] marked, not by [illegible] traditional stone detailing, but by [illegible] supports [illegible] projecting metal [illegible] is in fact a maintenance walkway.

[illegible] deceptive. There [illegible] more than a suggestion in both the rough and smooth granite of solidly hewn walls. But [illegible] an illusion. The walls are prefabricated panels hung [illegible] a steel frame. If you look at or feel the building carefully there are soft mastic joints and a sense of the thinness of the materials. The inevitable visibility of [illegible] any image of a Cyclopian palace.

Inside the new building there is nothing that can [illegible] powerful presence [illegible] the [illegible]mer school hall. It is now beautifully [illegible] and approached by the old grand marble stairs past sculpture and inscribed plaques of scholarly history. Mosaic floors, mahogany and wal[illegible] are now gleaming; fireplaces and [illegible] glass [illegible] have been cleaned and repaired. The hall itself is 60ft high and the huge timber roof recedes into darkness. [illegible] boys who were brought to their terrified knees [illegible] morning prayers by the sheer [illegible] the space have been replaced by conferring [illegible] and traders whispering more materially focused [illegible].

Inevitably [illegible] decorative [illegible] of the [illegible] building throws into [illegible] functional and basic [illegible] of the [illegible] new offices and trading floor. It can be no coincidence that [illegible] Morgan executive [illegible] showed me round referred [illegible] the new building as "the factory." [illegible] huge trading floor with [illegible] advanced technology [illegible] screens and [illegible] service [illegible] represents the [illegible] in banking and communica[illegible] technology. [illegible] 280 [illegible] spend their [illegible] enjoying an almost school-like [illegible] cameraderie – more officially described [illegible] "management synergy".

Technology [illegible] not [illegible] as it [illegible] Lloyd's City headquarters – instead it [illegible] somehow suppressed [illegible] world [illegible] underground rooms, artificially lit [illegible] and flickering [illegible]. Much [illegible] the pressure [illegible] put the technology underground comes from [illegible] planning [illegible] the St. Paul's heights regulations – which [illegible] the main [illegible] determining the [illegible] profile [illegible] this well [illegible] palace [illegible] commerce. Morgan's classical suit of outdoor clothes is an appropriate [illegible] – [illegible] polished [illegible].

Colin Amery

Tippett's New Year

BBC2 & [illegible] 3

BBC2's big music package on Saturday evening afforded [illegible] double salute to Michael Tippett: the film specially [illegible]ated for television [illegible] the latest Tippett opera, *New Year*, preceded by an hour-long [illegible] portrait entitled *Songs of Experience* (made [illegible] the time of the [illegible] 1989 Houston premiere).

The [illegible] *Year* relay, simultaneously offered on radio, used the forces of the 1990 Glyndebourne run cast led by Helen Field (Jo-Ann), [illegible] St Hill (Donny) and Kim Begley (Pelegrin) plus the LPO and Glyndebourne [illegible] conducted by Andrew Davis.

Musically at least, the performance was of enormous distinction: *one noted* with [illegible] and pleasure [illegible] naturally Tippett's [illegible] (angularly contorted, heraldically trumpet-like or sweetly coloratura-flourishing as the situation demands) were now sitting [illegible] all the voices, how confidently and [illegible]ily all the [illegible] were dealing with [illegible] thornier passages of Tippettian verbal cliché.

Had this been a radio relay alone, the lover of this whacky, wonderfully original operatic fantasy would have had only grounds for rejoicing. The difficulties came in with the film aspects. They should and [illegible] not have, since Tippett's operatic [illegible] have [illegible] transferred to the small screen with [illegible] in the past one [illegible] with particular admiration Nicholas Hytner's film [illegible] and Elijah Moshinsky's of *The [illegible] Marriage*, both [illegible] Channel 4. Moreover, *New Year* is almost a *product* of television: almost *all its influences*, from the impressions of brutalised modern city life [illegible] images, [illegible] directly gleaned from the composer's nightly habit of watching the [illegible].

But something [illegible] seriously [illegible] with the adaptation and transfer [illegible] as undertaken by the film's joint directors Dennis Marks (BBC TV's Head of Music Programmes) and the American choreographer Bill T. Jones. What worked [illegible] the theatre [illegible] a miraculous melange [illegible] sounds and influences, daftly naive, comic, poetic and radiant by turns, came [illegible] on screen as dramatically queasy, turgid, and dangerously half-baked. The failures lay in design and direction: reli[illegible] for the moments when the future (Nowhere Tomorrow) arrives by [illegible]ship to [illegible] the present (Somewhere Today) on pop-video graphics so tawdrily second-hand that one gawped at the cheap-and-nasty ghastliness [illegible] it all. [illegible] reputed, [illegible] production [illegible] £1m to make, that in itself is a sort [illegible] miracle.)

Equally saddening [illegible] the failure [illegible] come to real artistic grips with [illegible] colli[illegible] of worlds that [illegible] the opera's central [illegible] crux. The [illegible] set seemed [illegible] the big crowd [illegible] demanded by the New Year revels of Act 2, since the metallic walkways in which the opera [illegible] penned gave no sense [illegible] longer city perspectives. The close-ups [illegible] the singers (and their make-up) were uncomfortably judged, the characters saddled with nightmarishly awful [illegible]. One [illegible] with increasing longing the snatches of the Peter Hall stage production shown during [illegible] *of Experience*: [illegible] much [illegible] fully that captured the multi-perspective [illegible] of Tippett's invention, how much [illegible] it looked (even if only briefly glimpsed) [illegible] film!

I cannot swear that the innocent viewer who [illegible] upon this showing will have been put off Tippett opera for life. What I do insist, however, is that it represents an opportunity badly [illegible].

Max Loppert

Hamlet

MERMAID THEATRE

Hamlet is a very Japanese play. It is not just the formality of the court, nor all those corpses that litter the stage at the end. There is also the search to identify the corruption that goes with something indefinably rotten in the state of Denmark. Ophelia, too, strikes one as a Japanese figure as she strews flowers on the way to her watery [illegible].

Having said that, however, *Hamlet* in Japanese is still pretty hard-going for those [illegible] do not understand the language.

This Kabuki production at the Mermaid, part of the Japan Festival in Britain, relies heavily on text. It may not be enough to think that if you know the Shakespeare version inside-out, following the words does not matter. For [illegible] not, nor is it intended to be, a straight translation. There are some notable omissions among the minor characters, for example, and when you have the same actor (Somegoro Ichikawa) playing Hamlet, Ophelia and Fortinbras, you are not easily on recognisable territory.

Nor is it enough to think that if you have seen a few Kabuki productions before, you can rely on enjoying the visual side, the style and the music. This *Hamlet* is too deep for that. By the end of the first half you may be wondering what you let yourself in for.

It is in the second half that, at least for a British audience, the production begins to shine.

The reason may be that that is when the action starts to happen: certainly the stage effects come into their own. The king confesses his guilt, but admits th[illegible] he cannot [illegible] up the prize. A [illegible] will o' the wisp light is dangled in front of him. Ophe[illegible] goes mad. That is a natural for the Japanese style. The killing of Polonius [illegible] in very well: no more than [illegible] wretched rash intruding fool.

True, not all that much seems to be made of the gravediggers' [illegible] Laertes does not jump in. But when you get to the final duel scene, the suicides and the killings, it is Japan all the way. Hamlet actually kills the king – in a move that made me turn my face away – with a Japanese sword through the mouth.

The formality of the court has been well done throughout. It is at its height in the duel, which seems an almost natural and inevitable end. Possibly the production then dwells a shade too long on Fortinbras taking over. I rather preferred the recent Romanian production where the new king, as a man of power, was automatically seen as a villain just like those who had gone before.

Still, that is a small matter. The formality is helped by the use of screens which half-conceal the musicians and give the additional atmosphere of a court where everyone watches everyone.

Should you see it? Yes, if only out of curiosity and a willingness to learn. Appreciation grows as the play goes on.

One looks forward to *Lear* which, you could also say, is a very Japanese play, and also to *Falstaff*. What on earth will the Tokyo Globe make of that? Those productions follow in the next few weeks.

Malcolm Rutherford

Alastair Muir

Somegoro Ichikawa as Ophelia (foreground) with Tanosuke Sawamura as Gertrude (left) and Matsuske Onoe as Claudius

Le Vaisseau fantôme

GRAND THEATRE, GENEVA

The [illegible] production [illegible] the new [illegible] season at Geneva, mysteriously announced as Wagner's *Le Vaisseau fantôme*, [illegible] in [illegible] *Flying [illegible]man* in the original German. It was played straight through without interval, [illegible] arrangement which should make [illegible] whole work resemble an [illegible] ballad with [illegible] actual ballad in the middle as the kernel – an [illegible] various reasons [illegible] wholly [illegible] this occasion.

Clearly producer [illegible] Strosser and conductor Christian [illegible] not aiming [illegible] the kind [illegible] naturalistic staging – howling winds, heaving seas and ghostly mariners – that thrilled audiences in Wagner's time. Everything on the stage was pared down to [illegible] minimum (thank goodness, [illegible] dumb-show during the overture). The Dutchman's ship, [illegible] spectral [illegible] and [illegible] were invisible – a yard [illegible] of blood-[illegible] canvas would [illegible] cheered up [illegible] prevailing [illegible], *[illegible] Daland's ship* was out of sight in the wings. All we saw [illegible] hawsers and [illegible] quayside [illegible].

Mary and the maidens did not spin but mended sails. This [illegible] sense, but isn't there a case for slightly amending the [illegible] such moments to [illegible] "Hum [illegible] whirr, good little wheel" they sang (in German) with, I thought, maliciously careful enunciation. Costumes (by Pat[illegible] Cauchetier) were vaguely mid-19th century, the Dutchman in a loose overcoat, [illegible] and tie.

The [illegible] sets, designed by [illegible] producer himself, gave the right, aus[illegible] background [illegible] conception of the opera; [illegible] interior with high walls, a row of low windows and a huge black stove, was particularly satisfying. The [illegible] by comparison [illegible] haphazard: [illegible] was not clear where the relayed [illegible] of the ghostly crew [illegible] coming from. With [illegible] hint [illegible]antic paraphernalia sternly banished, Strosser's notable [illegible] devising meaningful [illegible] and effective, relative positioning [illegible] principals [illegible] them [illegible] figures, fraught and [illegible].

In the [illegible] pit the overture, so carefully detailed by [illegible] the Suisse [illegible] players, [illegible] an indication [illegible] what [illegible] a serious, rather [illegible] reading [illegible] crystal-[illegible] textures, long, pregnant pauses and, for this usually loud opera, [illegible] dynamic levels. The storm music was more suited to Mendelssohn's [illegible] than to Wagner's North Sea. In the big choral ensemble of the last act the pace [illegible], never regaining [illegible].

[illegible] Van [illegible] the title-role. [illegible] sustained, legato [illegible] constantly but [illegible] inappropriately recalled how much Wagner [illegible] period was influenced by the Italian and French operas he had heard in Paris. Van Dam is hardly, I think, a [illegible] Dutchman. His [illegible] timbre lacks a [illegible] roughness [illegible] easily combined with [illegible] superior singing. [illegible] again and again the world-weari[illegible] by phrases [illegible] admirable [illegible] and [illegible] control.

Linda Plech, the Senta, has [illegible]thing of the compelling [illegible] presence [illegible] (in [illegible] ways) [illegible] with much [illegible] intensity [illegible] phrasing [illegible] delivery. The voice changes colour abruptly; a certain glassiness, [illegible] a whine, [illegible] the [illegible] *of some splendid full notes*, threatens [illegible] become a mannerism. Miss *Plech did nothing dull* or *inept*. [illegible] Heppner's Erik [illegible] that necessary but inconvenient figure into a real, even sympathetic, person.

When [illegible] caricatured as a greedy, grasping capitalist, Senta's father Daland [illegible] a bore. Hans Tschammer, young enough to pass [illegible] her brother, played him simply as [illegible] insen[illegible] opportunist. The role gains immensely by being sung, as it was here, by a true *basse chantante*. Ferdinand Seiler made a real character of the sleepy steersman. Jean Laforge's excellent chorus was reinforced by the "Ensemble vocal bulgare". There was mild booing from the stalls for the producer but by the staid local standards the reception [illegible] friendly. Swiss reti[illegible] advantage – audi[illegible] are blessedly still and quiet.

Ronald Crichton

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

MUSIC AND DANCE

[illegible] den Linden 19.00 Fabio [illegible] I Vespri [illegible]. Tomorrow [illegible] Sun: John Cranko's ballet The Taming [illegible] Shrew. Wed: Fidelio. Thurs: Cosi fan [illegible]. Fri: [illegible] bill. [illegible] (East Berlin 2004 762)

Schauspielhaus [illegible] Ferdinand Leitner [illegible] the [illegible] Symphony [illegible] in [illegible] Haydn [illegible] Karl [illegible] Hartmann, [illegible] Lang mezzo soprano and Angelica May cello. Thurs: [illegible] Pollini. [illegible] Vladimir Ashkenazy conducts Mahler's Third. [illegible] Claus Peter Flor [illegible] Haydn's The [illegible] (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Alban Berg Quartet in a programme [illegible] Mozart, Berg [illegible] Brahms. Tomorrow: Natalia Gutman and Eliso [illegible] play [illegible] cello [illegible]. Wed, Thurs, Fri and [illegible] Harnoncourt conducts the Berlin Philharmonic (West Berlin 2614 383)

Komische Oper 19.30 Ballets by Harald Wandtke, Dietmar Seyffert, Volker Tietböhl [illegible] Postenyi. Wed: [illegible] Bride. Thurs: Die schweigsame Frau. Fri: [illegible] Pag. [illegible] La bohème. Sun: [illegible] (East Berlin 2292 [illegible])

[illegible] 19.00 Ballet [illegible] the [illegible] Oper [illegible] by Balanchine, [illegible] and Petipa/Oleg Vinogradov. Tomorrow and Fri: new production of Die Zauberflöte. [illegible] Sun: Faust. Thurs: Aida [illegible] Berlin [illegible] 249)

THEATRE

East Berlin: this [illegible] repertory at [illegible] Berliner Ensemble [illegible] with a Kurt Weill evening tonight, [illegible] by The Threepenny Opera [illegible], [illegible] Galilei [illegible] Wed, [illegible] Courage on Thurs, The [illegible] of [illegible] on Fri, Schweyk on Sat and The [illegible] Chalk [illegible] on Sun [illegible] 712). The [illegible] Peer Gynt tonight, Lessing's [illegible] the Wise on Thurs [illegible] G.B.Shaw's [illegible] on [illegible] (2871 225). The Maxim [illegible] Theater [illegible] a Feydeau farce [illegible] evening in [illegible] main [illegible] and Caryl Churchill's Top [illegible] in [illegible] Studiobühne, with Shakespeare's [illegible] You Like It on Fri and Chekhov's Three [illegible] on [illegible] (2082 748).

West Berlin: the [illegible] Theater [illegible] Die Räuber tomorrow, Lessing's Minna von Barnhelm on Wed, [illegible] Sun, Goethe's Iphigenie auf Tauris on Thurs, plus Anouilh's L'Orchestre on Fri, Sat and Sun in the [illegible] (3195 236). The [illegible] Theater [illegible] Peter Shaffer's [illegible] directed by Gerhard Klingenberg, daily till [illegible] 29 (3124 202)

■ FRANKFURT

Alte Oper [illegible] Oleg Caetani conducts the Frankfurt Opera [illegible] in Tchaikovsky's [illegible] Symphony and Stravinsky's Le [illegible] Printemps. In [illegible] 20.00, [illegible] plays piano [illegible] by [illegible] and Haydn (repeated [illegible] Sat). Tomorrow: [illegible] Cherkassky recital, plus violin [illegible] by Thomas Zehetmair. [illegible] plays Bartok and Haydn (1340 [illegible])

■ LONDON

MUSIC

[illegible] Bernard Haitink conducts [illegible] production of Die Walküre, with [illegible] Armstrong [illegible] Sieglinde, [illegible] Elming as Siegmund, [illegible] Morris [illegible] and Gwyneth [illegible] Brünnhilde. The only [illegible] Royal Opera performances [illegible] week are tomorrow and Sat: Rigoletto (071-240 1066)

THEATRE

■ Jesus [illegible] Superstar: [illegible] Shiki [illegible] Company of Tokyo perform their Kabuki-style Japanese-language version of the Andrew Lloyd Webber musical, stripping [illegible] religious significance and leaving what they [illegible] good story. [illegible] from tomorrow till [illegible] only (Dominion 071-580 9562).

■ Our Town: Alan Alda gives a commanding central performance as the stage manager in Thornton Wilder's comic elegy [illegible] birth, life and [illegible] in small-town America. An entrancing production directed by Robert Allan Ackerman, with Jemma Redgrave [illegible] Emily (Shaftesbury 071-379 5399).

■ Three Birds Alighting in a Field: Timberlake Wertenbaker's fluent, funny new play about art, money, [illegible] climbing and self-recognition. [illegible] by [illegible] (Royal Court 071-730 1745).

■ Brand: Ibsen's [illegible] early play about [illegible] and religious fanaticism, performed in [illegible] new [illegible] by [illegible] David MacDonald. [illegible] by Roger Williams, with [illegible] by Roy [illegible] Kim Thomson (Aldwych [illegible] 6404).

■ [illegible] Gabler: Fiona Shaw [illegible] in [illegible] acclaimed Abbey [illegible] Dublin production of Ibsen's play, [illegible] by [illegible] (Playhouse [illegible] 4401).

● For [illegible] information about all [illegible] End shows, phone Theatreline from anywhere in [illegible] UK: Plays 0836 [illegible] 0836 430961 Thrillers 0836 [illegible]

■ MILAN

[illegible] Vladimir Ashkenazy is conductor and piano [illegible] in a [illegible] with the [illegible] Radio Symphony [illegible] overture, [illegible] Piano Concerto [illegible] and [illegible] from Lieutenant Kijé and Romeo and Juliet by [illegible] (Tickets [illegible] through [illegible] from 10.00 till 14.00, tel 2940 9724). Wed, Thurs and Fri: [illegible] Maria Giulini conducts the [illegible] of La Scala in Beethoven's Sixth Symphony and Schumann's Third [illegible] 3744)

■ MUNICH

Staatsoper [illegible] Hildegard Behrens heads [illegible] in [illegible] Friedrich's production [illegible] Fidelio, repeated on Thurs. Tomorrow and Fri: Paata Burchuladze sings [illegible] title role in [illegible] Godunov. Wed: Peter Wright's production of Sleeping Beauty. Sat: Die [illegible]. Sun: [illegible] Josef Zilch [illegible] of Japan in music by Beethoven, Rakhmaninov and Brahms. Tomorrow: Trio Fontenay [illegible] Eduard Brunner [illegible] play music by Schubert and [illegible] Munich Symphony [illegible] plays music by Tchaikovsky and [illegible] (299901)

Prinzregententheater [illegible] Maria Stuart, [illegible] by Thomas Schulte-Michels, also tomorrow, Fri, [illegible] and Sun. Wed and Thurs: Shakespeare's Coriolanus directed by [illegible] Berkoff (225754)

■ NEW YORK

Metropolitan Opera [illegible] Opening night [illegible] season: a gala celebrating 25 years [illegible] the Met [illegible] Lincoln Center. [illegible] the Met orchestra, chorus [illegible] ballet in [illegible] from Rigoletto, [illegible] and [illegible] Fledermaus. Among the [illegible] scheduled [illegible] appear are Luciano Pavarotti, Placido Domingo, [illegible] Freni, Hermann Prey, Cheryl Studer, Anne [illegible] Otter, [illegible] and Kurt Moll, plus some surprise [illegible] in the Party [illegible] from Die Fledermaus. Tomorrow [illegible] Fri: Don Giovanni. [illegible] and Sat: Un ballo in maschera. Thurs: Die [illegible] Sat matinee: [illegible] sings the title role in [illegible] (362 6000)

■ PRAGUE

MOZART IN PRAGUE FESTIVAL

Tonight's [illegible] by [illegible] Junge Deutsche Kammerphilharmonie [illegible] directed from the keyboard by [illegible] Zacharias, [illegible] Hall [illegible] 19.30. Tomorrow the [illegible] Quartet gives [illegible] afternoon recital, and [illegible] and Thurs [illegible] visiting ensemble [illegible] Lausanne Chamber [illegible]. Other [illegible] include a performance of Le [illegible] di Figaro [illegible] the [illegible] on Thurs, and [illegible] performances of John Neumeier's [illegible] Mozart choreography with [illegible] Hamburg [illegible] Opera Ballet (Fri and Sat). [illegible] on [illegible] with a performance [illegible] Abramo [illegible] (1776), [illegible] by [illegible] Myslivecek, a Bohemian composer [illegible] in Italy and [illegible] Mozart. Booking information from [illegible].

■ VIENNA

MUSIC

Staatsoper [illegible] Butterfly. Tomorrow and Sun: [illegible] Wed and [illegible] Lohengrin. Thurs: Le nozze di Figaro. Fri: Die Zauberflöte (51444 2960)

THEATRE

This week's repertory [illegible] a new production [illegible] Botho Strauss' Schlusschor [illegible] the Akademietheater (first night on Thurs), [illegible] Hans Hollmann with designs [illegible] Hausner and [illegible] by [illegible] Schröder. The Burgtheater [illegible] Penthesilea [illegible] Ruth Berghaus and designed by [illegible] Wonder (Tues, Wed, Thurs), and Claus Peymann's production of [illegible] Clavigo, with daily performances from Fri till next Mon (51444 2218)

Telephone [illegible] of [illegible] for the Staatsoper, Volksoper and Burgtheater are available by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all [illegible] CET)

MONDAY TO FRIDAY

E[illegible]

0600-0630 International [illegible] report

CNN

0730-0800 [illegible]

1230-1300 [illegible] Morning

[illegible] Day

2000-2030 [illegible] Business Today – a joint FT/CNN [illegible] a [illegible] stories

[illegible] World [illegible] Today

[illegible] Moneyline

[illegible]

2130-2200 (Tues) [illegible] Europe Report – [illegible] report from FTTV.

2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie [illegible].

2130-2200 (Thurs) Talking [illegible]

[illegible] News

[illegible] International [illegible] Report

1130, 1730, [illegible] 0530 (Thurs) FT Business [illegible]

SATURDAY

CNN

[illegible]

0900-0930 World [illegible] This Week - a joint FT/CNN production

[illegible]

[illegible] World [illegible] This Week

2110-2140 [illegible]

SUNDAY

Superchannel

[illegible] FT [illegible]

Sky News

1330, 1630, [illegible] 0030, 0230 FT [illegible]

[illegible]

0710-0740 Moneyweek

1340-1400 [illegible]

[illegible] Money

[illegible] World [illegible] This Week

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Italy's need for reform

[illegible] European country has proved the prophets [illegible] doom wrong more often than Italy. Repeatedly, in [illegible] years, it has appeared [illegible] be [illegible] the throes of insoluble crises. Every time, [illegible] country's infinitely ingenious politicians have managed to patch [illegible] yet another coalition – Italy [illegible] now [illegible] [illegible] 50th post-war government – but only [illegible] the [illegible] [illegible] delaying urgent [illegible] on structural economic reforms.

[illegible] failure [illegible] [illegible] [illegible] net- [illegible] [illegible] been masked by an ostensibly good economic [illegible] formance. Italy [illegible] enjoyed [illegible] [illegible] period [illegible] rapid [illegible] expansion. Though growth fell to [illegible] per cent in [illegible] the [illegible] level since [illegible] the latest report on Italy by the Organisation [illegible] Economic Co-operation [illegible] Development forecasts that it [illegible] well pick up to 2¼ to 3 per cent in 1992.

Many other industrialised countries, particularly the UK, would be [illegible] [illegible] happy with such [illegible] prospect. The OECD, however, rightly points [illegible] of [illegible] [illegible] [illegible]. It gives [illegible] startling [illegible] in support of [illegible] warning that Italy must quickly pull up [illegible] socks if it hopes to join [illegible] European economic [illegible] monetary union as [illegible] equal partner.

Italy has [illegible] the present [illegible] with [illegible] [illegible] the highest EC rates of inflation, unemployment and levels of public [illegible]. The jobless rate, [illegible] [illegible] 11 [illegible] cent, [illegible] more [illegible] twice as high as the average in the other [illegible] major [illegible] countries. Inflation, [illegible] 7 per cent, [illegible] double [illegible] of Germany and France.

Public spending

Most worrying [illegible] all [illegible] [illegible] rapid expansion of public spending and [illegible] persistently high budget [illegible]. [illegible] year, Italy is the only [illegible] country where the ratio between public [illegible] [illegible] gross [illegible] product [illegible] exceeds 100 per [illegible] and is still rising.

It would [illegible] unjust to accuse the government [illegible] [illegible] no [illegible] at all to remedy [illegible] dire [illegible]. [illegible] decision [illegible] join [illegible] [illegible] band of the European exchange [illegible] [illegible] anism last [illegible], together [illegible] the removal of remaining capital controls, has kept the lira [illegible] and led to some narrowing of interest rate differentials with Italy's European partners. In an attempt to stabilise the cost of debt service, now amounting to as much as 10 per cent of GDP, the government has also moved from short to medium and long-term borrowing.

However, as [illegible] [illegible] stresses, there is only limited [illegible] for reducing interest [illegible] ments through changes in debt management. The real problem to [illegible] [illegible] [illegible] [illegible] strengthening [illegible] [illegible] primary budget balance through [illegible] reduction of public spending.

Lip service

[illegible] all Italian politicians [illegible] lip [illegible] to this objective, they [illegible] so [illegible] signally [illegible] [illegible] [illegible] on [illegible] steps required [illegible] [illegible] it. [illegible] include, notably, bringing public [illegible] [illegible] under control after [illegible] [illegible] [illegible] nearly 16 [illegible] [illegible] [illegible] year, [illegible] in government subsidies, [illegible] widening of the [illegible] base, reform of the national pensions scheme [illegible] [illegible] privatisation.

Given past experience, the OECD [illegible] undoubtedly justified [illegible] [illegible] scepticism about the [illegible] [illegible] [illegible] deficit-cutting [illegible] likely [illegible] [illegible] from [illegible] current bout [illegible] political bargaining. [illegible] a general election due [illegible] May [illegible] year, [illegible] politicians will not [illegible] [illegible] take steps [illegible] [illegible] [illegible] the [illegible].

The [illegible] [illegible] [illegible] [illegible] the Italian political system [illegible] not produce strong enough governments [illegible] [illegible] [illegible] hard [illegible] [illegible] required today. In a referendum in [illegible] early summer, [illegible] [illegible] majority [illegible] voters supported electoral reform aimed [illegible] reducing [illegible] [illegible] of fraud. The result was a sign that [illegible] Italians had [illegible] enough of political corruption and [illegible] ready for more sweeping reforms [illegible] make their political system more effective.

Such changes, whether they take [illegible] form [illegible] [illegible] [illegible] [illegible] presidency [illegible] [illegible] [illegible] law favouring larger parlia[illegible] majorities, will be difficult to push through, since they require [illegible] two-thirds parliamentary majority. [illegible] [illegible] is [illegible] [illegible] falling stronger [illegible] ernment, Italy is unlikely [illegible] take [illegible] [illegible] steps [illegible] to keep it in the front rank of European [illegible].

EC carmakers in a spin

[illegible] THAN two months [illegible] [illegible] [illegible] Tokyo [illegible] together [illegible] deal on Japanese [illegible] [illegible] in the European Community, renewed frictions [illegible] the issue are raising the spectre [illegible] [illegible] [illegible] trade row. Still more serious, from [illegible] EC's standpoint, [illegible] [illegible] danger [illegible] [illegible] carmakers will [illegible] the [illegible] [illegible] an excuse [illegible] continue [illegible] shirk actions [illegible] [illegible] their survival and [illegible] [illegible] [illegible] Europe's industrial economy.

[illegible] the deal amounts [illegible] little [illegible] [illegible] a flimsy attempt to plaster [illegible] deep divisions [illegible] the EC's [illegible] ranks, [illegible] was always bound [illegible] provoke dispute, particularly with respect [illegible] Japanese-[illegible] car "transplants" in [illegible] Community. [illegible] [illegible] now happening. The [illegible] government and [illegible] [illegible] Japan [illegible] [illegible] arrangement allows unres[illegible] transplant output. But much [illegible] [illegible] European industry, alarmed by an [illegible] [illegible] slide in sales, [illegible] [illegible] is unacceptable.

The dispute, [illegible] least, acknowledges one [illegible] reality: Japanese plants abroad, as much as those in Japan, are [illegible] international benchmark of competitiveness – which European producers are far from matching. However, [illegible] arguments deployed by Europe's carmakers [illegible] try [illegible] evade these uncomfortable facts are mostly specious.

They complain [illegible] any ben[illegible] [illegible] [illegible] from unrestricted [illegible] of Japanese [illegible] is short-lived, because [illegible] Japanese use artificially low prices to drive [illegible] indigenous rivals, destroying [illegible] jobs and profits which underpin consumer spending. Japanese transplants, furthermore, generate relatively [illegible] employment [illegible] [illegible] added, and simply add [illegible] excess capacity.

EC prices

[illegible] prices [illegible] Japanese cars in the EC scarcely suggest dumping, while in [illegible] US mar[illegible] European exporters appear at least as open as the Japanese [illegible] charges of selling below [illegible]. It [illegible] undoubtedly true that Japanese transplants employ relatively fewer people than European-owned facilities. But that is in large part [illegible] they [illegible] more efficient. Excess capacity is not [illegible] European industry's problem: it is [illegible] many obsolete, high-cost plants, which have survived thanks only [illegible] subsidies and protection. Preserving such capacity involves [illegible] massively wasteful diversion of resources into an inefficient sector, penalising more [illegible] [illegible] [illegible] and weakening European economies.

Another favourite argument [illegible] [illegible] [illegible] [illegible] should [illegible] open [illegible] market [illegible] [illegible] Japanese until Japan allows [illegible] access [illegible] EC [illegible] exports. Though formal Japanese [illegible] [illegible] [illegible] [illegible] largely eliminated, important [illegible] [illegible] imports remain, notably [illegible] distribution. However, the evidence [illegible] [illegible] [illegible] Europeans [illegible] seeking scapegoats for their own [illegible].

Implicit assumption

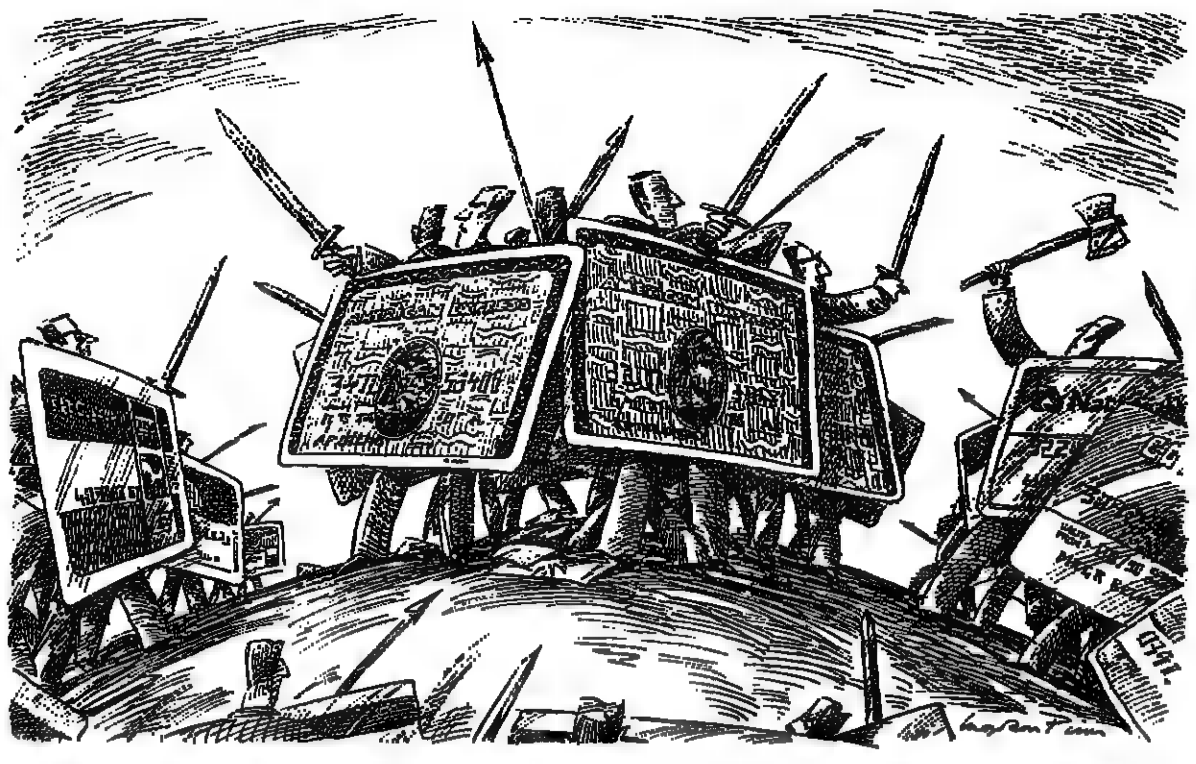
The implicit assumption [illegible] only structural barriers pre[illegible] European producers from storming [illegible] Japanese market [illegible] [illegible] by their [illegible] performance in [illegible] US, [illegible] they once accounted [illegible] [illegible] all imports. Today their mar[illegible] [illegible] is [illegible] than [illegible] per cent, and Britain's [illegible] and France's Peugeot recently halted exports. The Japanese, meanwhile, have increased their share to one third of total sales, even though their exports were restricted for [illegible] [illegible] the [illegible] by quotas.

The "trade reciprocity" [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] would have to rely on [illegible] controls [illegible] transplant output. But, as the European Commis[illegible] acknowledges, [illegible] such controls would violate [illegible] [illegible] Treaty [illegible] [illegible] the principle [illegible] [illegible] [illegible] of goods on [illegible] the [illegible] planned single [illegible] [illegible] based.

[illegible] to the single market plan [illegible] [illegible] belief that vigorous cross-border competition will stimulate industrial efficiency [illegible] restructuring. [illegible] competition [illegible] should – nor, in a world [illegible] mobile capital, can – be limited simply [illegible] indigenous producers, above all in [illegible] industries [illegible] competitiveness lags behind world-[illegible] standards. If European carmakers [illegible] in trying to run away from that challenge, they will not only jeopardise Europe's single [illegible] [illegible] [illegible] [illegible] well-being. They will be signing their own death warrant.

American Express will have to innovate to stave off competition, says **Martin Dickson**

They are leaving home without it



Call it the case of the revolting restaurateurs. Mr Michel Roux, the owner of three of Britain's top restaurants, [illegible] just advised the world that the American Express card will no longer [illegible] nicely. Fed up with the fees [illegible] has to hand over to Amex, he [illegible] refusing to accept [illegible] plastic as payment, and is urging other smart eating establishments to do the same.

His call [illegible] arms echoes a similar protest [illegible] the Atlantic, where a group of about 100 restaurants in the Boston [illegible] threatened to boycott Amex earlier this year unless it cut [illegible] [illegible]. [illegible] of the protest leaders cheerfully posed for a picture showing him stabbing an Amex card with [illegible] chef's knife.

Grousing by [illegible] hot-pot of chefs, how[illegible] exquisite the products of their kitchens, [illegible] not of itself constitute a serious blow to American Express, but [illegible] [illegible] extremely bad publicity – and it may also [illegible] a straw in the wind. For Amex, the company which taught the world [illegible] [illegible] by plastic and [illegible] blessed with one of the most powerful global brand [illegible], [illegible] finding its franchise under attack [illegible] [illegible] before.

The competition [illegible] [illegible] in [illegible] [illegible] where its rivals for consumer spending power – in the industry argot, "share [illegible] wallet" – [illegible] well beyond [illegible] traditional humdrum Visa and MasterCards issued by [illegible]. Variations offer discounts [illegible] phone calls, points [illegible] free airline [illegible] and cash savings.

Amex would suffer badly if such rivals made big inroads [illegible] its market, for despite its growth into [illegible] financial services powerhouse, [illegible] company still depends [illegible] [illegible] card [illegible] for the great bulk [illegible] [illegible] profits. It would also [illegible] a [illegible] personal blow [illegible] Mr James Robinson, the [illegible] pany's head, who [illegible] sometimes known as the "Teflon-coated chairman" [illegible] his ability to [illegible] above a [illegible] [illegible] [illegible] in the group's non-card busi[illegible] which have repeatedly held [illegible] [illegible] earnings in [illegible] years.

This year Wall [illegible] expects Amex's earnings from Travel Related Services – which includes [illegible] card operations – to be flat, [illegible] in [illegible] [illegible] [illegible] [illegible] in credit delinquencies [illegible] in part [illegible] [illegible] slowdown [illegible] [illegible] growth of card earnings. Recession, which [illegible] hurting all [illegible] issuers, seems largely to blame and so far Amex appears to [illegible] holding [illegible] market share [illegible] ably [illegible].

But might the economic downturn be masking more [illegible] [illegible] [illegible] spending patterns which [illegible] con[illegible] hurting [illegible] franchise long after recovery gets [illegible] way? That question cannot [illegible] answered without looking [illegible] how Amex makes its money, how [illegible] [illegible] from its rivals, [illegible] [illegible] vigour of [illegible] [illegible] [illegible] challenge they pose.

[illegible] of the cards issued by American Express – notably [illegible] traditional [illegible] and gold [illegible] – are charge cards, which [illegible] the [illegible] has [illegible] pay [illegible] his bill at the end of [illegible] month. Amex [illegible] its [illegible] by charging annual membership fees [illegible] card [illegible] [illegible] by taking [illegible] percentage of the "take" [illegible] by [illegible] merchant on bills paid using the card.

The profits of [illegible] business are driven, therefore, by [illegible] number [illegible] [illegible] [illegible] [illegible] and – [illegible] crucial of all – [illegible] amount they spend via [illegible] [illegible] card.

[illegible] while [illegible] accounts [illegible] only [illegible] per [illegible] of general [illegible] cards issued in the US, it is thought to [illegible] around [illegible] [illegible] cent of all billings – and that [illegible] [illegible] only dropped slightly over the past [illegible] years.

The pieces of plastic [illegible] by banks, such [illegible] Visa and Mastercard, are different. They are credit [illegible] which allow [illegible] [illegible] [illegible] roll [illegible] the amount [illegible] owes from month to month, though the price [illegible] [illegible] flexibility [illegible] an extremely high [illegible] [illegible] interest.

The banks [illegible] charge merchants [illegible] percentage fee [illegible] any transaction and most [illegible] [illegible] levy an annual [illegible] [illegible] charge-card holders. But [illegible] of these are substantially lower [illegible] Amex's because the banks make much [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] bills run up by [illegible] who don't clear their [illegible] [illegible] month – people known in [illegible] [illegible] [illegible] "revolvers".

[illegible] [illegible] [illegible] [illegible] a much [illegible] [illegible] [illegible] – [illegible] individ[illegible] [illegible] [illegible] who spend [illegible] [illegible] month via their [illegible] than [illegible] card [illegible] and promptly [illegible] [illegible] their bills.

Over [illegible] past [illegible] [illegible] it [illegible] done [illegible] extremely successfully, [illegible] [illegible] four main factors. First, [illegible] [illegible] run [illegible] brilliant marketing [illegible] paign, which has emphasised [illegible] [illegible] appeal [illegible] credit-worthiness [illegible] being [illegible] card holder: "*It [illegible] [illegible] [illegible] you than [illegible] [illegible] can.*" Second, merchants have been persuaded that accepting Amex boosts boosts both their image and their profits. Third, it has backed its cards up with [illegible] high quality of customer [illegible] [illegible] a worldwide network [illegible] [illegible]. And fourth, it has [illegible] a strong corporate [illegible].

But in many of these areas it is now under [illegible] attack from [illegible] [illegible] [illegible] brigade.

For [illegible] start, snob appeal [illegible] [illegible] [illegible] sustain in a recession, in [illegible] market [illegible] with credit cards, and [illegible] [illegible] social climate which may [illegible] changing towards less conspicuous consump[illegible].

In the [illegible] the credit card issuers have been striking more quantifiable [illegible] [illegible] [illegible]. In particular, Citicorp, [illegible] largest [illegible] of bank credit cards, and First National Bank of Chicago have linked up with [illegible] of the top [illegible] – American and [illegible] – in [illegible] [illegible] offer card [illegible] points [illegible] [illegible] air [illegible] [illegible] every dollar they spend.

This struck so directly [illegible] the [illegible] [illegible] [illegible] Amex [illegible] – [illegible] well-heeled frequent [illegible] – [illegible] this [illegible] it had to retaliate with a scheme of its own – linking [illegible] up with seven leading airlines, and going one better than its [illegible] by offering ground packages [illegible] well, such as "[illegible] in [illegible] lifetime" tennis lessons with a top professional. The package clearly costs it [illegible], although it claims the [illegible] volume [illegible] [illegible] will [illegible] [illegible].

[illegible] Express [illegible] several [illegible] important advantages: unlike [illegible] cards, [illegible] [illegible] no [illegible] limit and [illegible] [illegible] [illegible] cannot [illegible] pete with [illegible] worldwide back-up [illegible] vice. "You [illegible] find [illegible] Citibank Visa [illegible] [illegible] Bombay," [illegible] Mr Philip Riese, [illegible] senior [illegible] [illegible] manager. "You will find us."

This [illegible] network, [illegible] [illegible] important [illegible] in other [illegible] [illegible] [illegible] [illegible] business, [illegible] particularly useful for [illegible] customers, and [illegible] has built up [illegible] sophisticated service [illegible] [illegible] [illegible] using [illegible] cards to keep a close track on employ[illegible] spending on travel and entertainment. This is turn helps the companies control [illegible] and strike deals with airlines and hotels for bulk dis[illegible].

But here [illegible] bank and non-bank credit card issuers are starting to stir. Amex is still the overwhelming industry leader, with an estimated 5m corporate cards issued in the US, compared [illegible] 500,000 for Mastercard and 750,000 for Visa. But Visa claims to be growing extremely rapidly, with a 50 per cent increase in cards issued during just three months this summer.

It also offers clients a customised expenses tracking service, although Mr Kurt Peters, editor of Credit Card News, says: "Amex knows that market so well, its harder for the banks to get in. Amex knows just what kind of reports companies want."

Amex insists it is still growing strongly in this area. Mr Jim Firestone, who handles US corporate accounts, says that over the past two years its client list among the Fortune 100 top companies has risen from 66 to 88, with the gains including Motorola, Mobil Oil, Texaco and Lockheed. But there have also been losses. General Motors, for example, has switched to MasterCard – a move probably linked to the fact that its huge financial services arm issues MasterCards of its own. And Goodyear, the tyre company, switched [illegible] Visa after surveying employees.

Amex may be retaining its share of a growing corporate market, but the pressure from the competition seems certain [illegible] [illegible] forced cuts in the price it can charge for its cards, and thus its margins.

A card is only useful if you have merchants that accept it, and Visa and MasterCard make much play of their roughly 9m outlets around the world compared to 3.3m for Amex. A advertisement due out soon from Visa, for example, will trumpet the fact that its plastic will be accepted at the turnstiles of the next Olympic Games.

This is not necessarily a threat to Amex, as long as the high spenders it wants to attract can still use the card in plenty of up-market places. Far more serious would be mass defections from the ranks of its merchants.

That [illegible] unlikely to happen in its most important travel and entertainment [illegible] – [illegible] [illegible], hotels and [illegible] [illegible] – [illegible] long as the company enjoys such [illegible] [illegible] [illegible] over corporate customers and high rolling [illegible].

[illegible] [illegible] retail and non-corporate markets [illegible] [illegible] secure. Take, for example, Carnival Cruise Lines, the Miami-based company which accounts for about a quarter of all the US's holiday cruise business. It says it stopped taking the American Express card last year after failing to negotiate a sufficiently attractive new fee structure. It had been paying 3.2 per cent to Amex, which offered to drop the figure to 2.9, compared to the 1.15 per cent then charged by Visa.

Mr Bob Dickinson, the Carnival executive involved, says Amex warned him the move would cost business, but the very opposite has been the case. The lessons, he says, are that 99.5 per cent of Amex card holders have Visa or MasterCards, and that in the leisure travel market "Amex have no edge. They just price the product as if they do." They are also, he adds, "arrogant as hell".

The recession has put American Express under pressure from numerous other sectors to cut the 1.25 to 2 per cent margin it charges above the bank cards, and in many cases – including the Boston chefs – it seems to have given ground. Says Mr Peters: "A lot of the m[illegible]chants making most noise end up not giving up Amex. There's a lot of smoke, but not much fire." But while that may be true, [illegible] fees from [illegible] [illegible] hit Amex's profit margins.

[illegible] company's core [illegible] seems reasonably [illegible] [illegible] now, albeit [illegible] [illegible] the [illegible]. But the fat profit margins [illegible] Express enjoyed in a less [illegible] [illegible] seem gone for ever, and it will have to keep innovating hard if it is to differ[illegible] itself from the competition.

[illegible] Express executives [illegible] [illegible] more important initiatives are on the way this autumn. "There have been announcements [illegible] our demise [illegible] many, many years," says Mr [illegible], "and they have all been premature. I would suggest to the market – just watch us."

Problems across the Atlantic

In the UK, American Express, like other card [illegible], has been hit badly [illegible] the recession, writes John [illegible].

The new consumer frugality has created a vicious spiral for all credit card issuers. [illegible] the proportion [illegible] card users paying off their bills promptly [illegible] increased, (typically from less than [illegible] quarter to about 50 per cent), [illegible] the cards became less profitable for their issuers.

In response, the four big clearing banks introduced annual charges for cards. This provoked many customers to [illegible] loyalties to smaller institutions which refused to introduce [illegible] such [illegible] Save [illegible] Prosper.

Today, [illegible] new approaches make [illegible] for card issuers. They can cut their "extras", trim costs and com[illegible] on price, [illegible] add [illegible] many genuinely useful perks as possible.

This view of [illegible] [illegible] [illegible] implicit in National Westminster's new range of credit cards, launched when the bank introduced a fee on all its credit cards last month.

Mr Mike McManus, Barclaycard's managing director, says of Amex's problems: "Retailers are [illegible] that most Amex card-holders have also got [illegible] Visa or MasterCard."

The focus [illegible] the debate in the UK has moved on from the price charged to retailers to the fees paid by card-holders. Amex's charges are high; its basic Green [illegible] costs [illegible], the Gold £85, and [illegible] Platinum [illegible], launched in January, weighs in at £300.

Amex is clearly fighting back; next week, it launches an advertising campaign to persuade its card-holders to resume spending on life's luxuries.

OBSERVER

Archangel Gabriel

■ "On yer bike" became [illegible] of [illegible] political life's more memorable eighties' exhortations. [illegible] challenged on [illegible] issue of [illegible] Conservative party's [illegible] on unemployment, [illegible] Tebbit, leading Thatcherite groupie, [illegible] [illegible] the example of his father who, he said, did [illegible] bemoan his fa[illegible] but rather "got [illegible] his bike" [illegible] [illegible] out looking for work. "On yer bike", pronounced with a peculiarly [illegible] London twang, then became [illegible] rallying-cry [illegible] an odious [illegible], depending on one's political [illegible].

But [illegible] entrepreneurs [illegible] the [illegible] to heart in a [illegible] [illegible] metaphorical [illegible] and [illegible] has just [illegible] that it suited his spirit very well. [illegible] 37, Richard Gabriel, founder and chairman [illegible] the delivery company Interlink, has [illegible] his 55 per cent stake in the [illegible] for [illegible] £28m; not bad for an [illegible] outlay [illegible] £13,000, [illegible] a [illegible] from Barclays bank. The Australian transport and security concern, Mayne Nickless, paid [illegible] total £50.5m for the company.

The irony is that Gabriel, formerly [illegible] milkman and motorcycle courier, got *off* his bike [illegible] [illegible] his meteoric rise [illegible] riches. He [illegible] his motorcycle for [illegible] [illegible] start his [illegible] company, Road Runner, a messenger service.

Gabriel's knack, which [illegible] [illegible] shareholding's worth by 68 per cent in the last five years [illegible] Interlink was floated), was [illegible] expand through licensing [illegible] holders, gradually blossoming into [illegible] national network [illegible] 150 different franchisees, [illegible] [illegible] the country's [illegible] overnight parcel delivery service.

[illegible] is not just a child [illegible] the [illegible], however. He also [illegible] [illegible] common heritage with [illegible] [illegible] [illegible] Conservative prime minister, John Major. [illegible] this year British [illegible] raised [illegible] sandstorm concerning Major's rather ordinary [illegible] background – no university, [illegible] paper qualifications. In 1989 [illegible] recalled [illegible] he "didn't [illegible] any qualifications [illegible] school". [illegible] [illegible] [illegible] they would [illegible] [illegible] if they [illegible] shown [illegible] [illegible].

Mail order

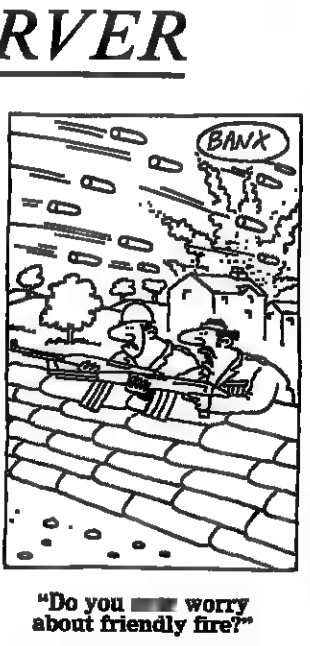
■ [illegible] all postal workers are looking [illegible] rosy as Interlink's. Germany's pushy mail [illegible] companies [illegible] direct mail advertisers trying [illegible] [illegible] acquisitive pockets have run into a little difficulty in a railway siding in Chemnitz, formerly Karl-Marx-Stadt, near [illegible] [illegible] border.

[illegible] [illegible] post office, unable to [illegible] with [illegible] avalanche [illegible] catalogues and [illegible] bulk-mailed bumpf, as well as normal postal traffic, has [illegible] stockpiling the stuff on a branch line. It [illegible] accumulated [illegible] rail wagonloads – and is growing.

"We are having [illegible] handle as much mail as we do [illegible] Christmas," complains local post [illegible] [illegible] Helmut Steeg. In normal times mail order catalogues [illegible] [illegible] [illegible] about [illegible] per [illegible] [illegible] the daily Bundespost deliveries [illegible] Chemnitz, but the volume [illegible] been building up.

Direct [illegible] have spotted a golden opportunity [illegible] [illegible] their franchise eastwards and [illegible] mounting a drive [illegible] win customers [illegible] the Christmas [illegible] peak. It [illegible] [illegible] their last chance.

Spending [illegible] postal advertising last year shot up by 20 per cent to DM3bn, making [illegible] Bundespost the country's third [illegible] important advertising "medium". [illegible] the [illegible] has alarmed [illegible] environment ministry; it's considering [illegible] ban on [illegible] distribution [illegible] all unsolicited mail, changing what it calls Germany's "throwaway society".



"Do you [illegible] worry about friendly fire?"

Injured innocence

■ Vice-chancellors heading UK universities [illegible] [illegible] in [illegible] minds [illegible] the London [illegible] [illegible] [illegible] [illegible] John Ashworth.

While welcoming his verdict that they don't run a cartel to inflate [illegible] price [illegible] higher education, they'll be pained by his explanation why.

"A cartel is a sophisticated [illegible] operation," [illegible] said. "It would certainly be beyond the vice-chancellors [illegible] British universities [illegible] organise one."

Snuggle up

■ An intriguing assignation should happen today between [illegible] of the more colourful [illegible] [illegible] Britain's rich political tapestry.

Representatives of the Greens will [illegible] together with envoys from Lindi [illegible] Clair's Corrective party, which has stirred the imagination [illegible] some [illegible] by promising [illegible] civil [illegible] and changes to Britain's censorship [illegible].

[illegible] Clair [illegible] the rendezvous with the environmentalists is "to talk about [illegible] adopting each [illegible] policies."

[illegible] [illegible] [illegible] carried [illegible] [illegible] the possible [illegible] of [illegible] Green/Corrective merger, [illegible] [illegible] [illegible] pointed out [illegible] the [illegible] [illegible] place [illegible] [illegible] gloss on the reason for [illegible] liaison.

It will help them [illegible] upon [illegible] policy on [illegible] single [illegible] [illegible] prostitution, they say.

Green spleen

■ Not all green [illegible] [illegible] quiet so entertaining. [illegible] [illegible] [illegible] Express ads [illegible] [illegible] [illegible] who [illegible] [illegible] a foreign airport, only [illegible] [illegible] told by [illegible] smiling lady from American Express that his card [illegible] been replaced – even [illegible] he realised [illegible] he [illegible] lost [illegible].

Reality can [illegible] [illegible] different, as [illegible] [illegible].

After losing [illegible] [illegible] and wallet [illegible] a pickpocket [illegible] the Turkish mediterranean [illegible], far distant friends [illegible] asked to urgently relay appeals [illegible] American Express.

Alas, [illegible] smiling lady [illegible] rang back; the only solution was [illegible] borrow [illegible]. Amex never even [illegible] round to calling. When the replacement Amex card eventually arrives, [illegible] may well [illegible] cut up.

Count down

■ Spain's 1991 nationwide census appears [illegible] have miscounted [illegible] country's popula[illegible] by about a million people.

The census found population had grown from 37,682,355 [illegible] 38,473,670 people [illegible] 1981 and this year, a rise of just 1.97 per [illegible].

The institute [illegible] national [illegible] distrusts [illegible] own [illegible] [illegible] and is now [illegible] in a large resampling of about 150,000 people, in [illegible] [illegible] that growth must have been [illegible] [illegible] [illegible] that [illegible].

Collor's crusade crumbles

Burdened by an economy limping from crisis to crisis, Brazil is undergoing social unrest more insidious than revolution, writes **Christina Lamb**

There is no rioting in the streets, no looting [redacted] shops [redacted] revolutionary talk [redacted] universities. Yet newspaper editorials and politicians insist Brazil is suffering its [redacted] crisis since [redacted] when, amid social and [redacted] nomic turmoil, the military overthrew the country's last elected president.

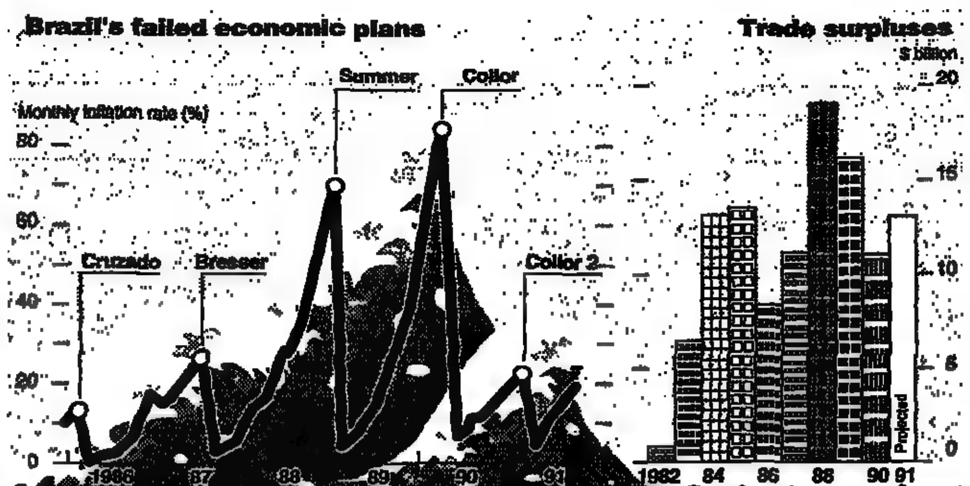
As if to confirm their fears, President Fernando [redacted] de Mello last week summoned the first meeting of the Council of the Republic which, under the *constitution, is convened only* in times of national [redacted] gency. His message was stark: the state is bankrupt and without constitutional overhaul the country [redacted] ungovernable and headed for hyperinflation.

Mr [redacted] sombre words were little surprise [redacted] most Brazilians. [redacted] 10 years [redacted] chronic inflation and midway through [redacted] second year [redacted] recession, economic crisis is nothing new to the largest debtor in the developing world. What has changed, however, is the realisation that Latin America's giant is being left behind not just by its south-east Asian rivals but more humiliatingly by the rest of the Latin American continent.

There is a growing consensus that economic shock plans do not work and that it is time to find a long-term solution based on a "national understanding". The most important factor in this new thinking has been the transformation of neighbour and traditional rival Argentina from economic chaos to a country with a respectable 1.3 per cent monthly inflation rate and predicted growth this year of 5 per cent. By comparison, Brazil is expecting 19 per cent inflation this month and two more years without growth. While Brazil could shrug off the successes of Mexico, Venezuela and Chile, the example of Argentina, as a fellow democracy, is harder to stomach.

[redacted] are finally admitting the depth [redacted] the crisis, asking why they cannot pro[redacted] political [redacted] leaders and realising [redacted] country [redacted] undergoing [redacted] unrest [redacted] insidious [redacted] revolution. Land invasions are a daily occurrence; kidnappings are too frequent to make the [redacted] both [redacted] and [redacted] Paulo average more than one bank robbery a day; and teenagers in Sao Paulo are shot [redacted] sneakers.

Brazil's per capita [redacted] domestic product may have remained [redacted] stable in the past decade while [redacted] neighbours experienced an average 2.2 per cent drop but its infrastructure is disintegrating. [redacted] has [redacted] of [redacted] most [redacted] of [redacted] in the world – 60 per cent of national wealth is concentrated in the hands of 1 per cent of the population.



The problem for the government is what to do to prevent the country lurching from one short-lived economic plan to the next. It is risking everything on a revision of the 1988 constitution to allow it to raise taxes and cut federal spending, following the recipe of the International Monetary Fund with which it is negotiating a $2bn standby loan facility.

The government believes a constitutional overhaul is necessary because under the present system it cannot sack federal employees and must pass on almost half of its tax revenues to states and municipalities. To change this, it needs a three-fifths majority in two votes in Congress, where it has little support. In an unsubtle effort to secure backing for its constitutional reforms, the government is offering to ease the repayment terms of the state governments' total $57bn debt to the Treasury. Mr Eduardo Suplicy, an economist with the opposition Workers [redacted], complains: "The government [redacted] shift [redacted] blame [redacted] Congress and say [redacted] cannot [redacted] unless you change [redacted] constitution."

The [redacted] hindrance [redacted] reform [redacted] government's [redacted] credibility. [redacted] tanned [redacted] who [redacted] into [redacted] March [redacted] Indiana [redacted]. Mr Collor's single [redacted] which [redacted] to kill inflation [redacted] landed spectacularly off-target, creating [redacted] mere lull in inflation [redacted] per cent [redacted] in the [redacted]. In July [redacted] government [redacted] Treasury notes [redacted] internal [redacted] despite saying last [redacted] that [redacted] not do so.

As well as notching up [redacted] failed economic plans in [redacted] months Mr Collor has seen [redacted] resignation [redacted] of his 12 min[redacted] as well as [redacted] nomics [redacted] through four [redacted] Petrobras, [redacted] oil company which [redacted] largest corporation, and [redacted] heads of Embraer, the [redacted] aeronautics company. Worse, [redacted] crusade, [redacted] administration is now mired in allegations [redacted] corruption involving friends, [redacted] brother and his wife. A year ago, Mr Collor was [redacted] popularity [redacted] of [redacted] per [redacted] now he faces calls to resign.

[redacted] remains one of the [redacted] protected economies with [redacted] average import [redacted] 40 per [redacted] compared with Argentina's 11.5 per cent. [redacted] and unco-operative with [redacted] nomic stabilisation plans. It blames [redacted] squeezing [redacted] and continuing [redacted] imports of computers [redacted] products [redacted] failure [redacted] and become [redacted] competitive, [redacted] lobbies to slow down or even halt the liberalisation process. Brazil also lags behind other Latin American countries in privatisation. Its first sale, of the country's biggest steel mill, once scheduled for tomorrow, has [redacted] suspended by [redacted] eral court ruling.

To the government's credit Mr Carlos Garcia, the administration secretary, [redacted] removed 111,553 bureaucratic regulations and [redacted] 207,000 [redacted] eral employees, though because of constitutional [redacted] 47,000 [redacted] eral workers are [redacted] being paid. Opposition politicians claim, however, [redacted] only 3,800 federal employees [redacted] actually sacked, [redacted] rest having left [redacted] retired.

The current lack [redacted] faith in the government [redacted] thing it [redacted] has the wrong [redacted] rates, raised recently to almost 1,000 [redacted] year [redacted] reduce consumer demand, exposed the government's worries [redacted] spiralling inflation. Business, fearing the sixth price freeze in five years, responded by putting up prices across the board. Mr Marcilio Moreira, the [redacted] minister, repeats almost daily, "I am an anti-shock minister", but a survey of [redacted] executives by the American Chamber [redacted] Commerce found recently that only 11 [redacted] cent [redacted] the government would not [redacted] drastic measures to control inflation. Mr [redacted] Maia, an economist [redacted] main opposition party (PMDB), [redacted] "It's like playing chess drunk – none of their moves turns out [redacted] they intend."

If the constitutional amendment [redacted] through Congress, or, [redacted] seems likely, survives in a [redacted] down version, the [redacted] holds few other [redacted]. Options include the [redacted] of [redacted] independent central bank or copying the [redacted] Argentine plan.

The government's most [redacted]ing reason for avoiding another quick-fix solution is that this would [redacted] tainly entail the [redacted] or resignation of [redacted] orthodox Mr Moreira as economy minister, and would jeopardise Brazil's negotiations with [redacted] IMF [redacted] creditor [redacted]. Mr Moreira [redacted] been responsive to foreign demands to [redacted] up the [redacted] try's [redacted] and [redacted] to be swapped for environmental protection projects. His proposal to [redacted] $52bn commercial [redacted] warmly welcomed by creditors [redacted] paved the [redacted] return [redacted] capital markets [redacted] time in a [redacted].

But [redacted] is ticking against Mr Collor [redacted] inflation [redacted] moving inexorably upwards. The [redacted] barrier of 20 per cent a month, [redacted] which point a [redacted] plan [redacted] thought inevitable, could come next month. Inflationary factors include: September's six-monthly adjustment [redacted] wages and rents; the doubling [redacted] minimum salary [redacted] which [redacted] pegged; growing pressure [redacted] devalue the [redacted] help [redacted] ernment's promised [redacted] $1.8bn into the [redacted] which [redacted] in a draconian [redacted] in March 1990.

Although most Brazilians now recognise [redacted] country's crisis, Mr Collor comes late and enfeebled [redacted] negotiations with political and [redacted] still jealously guard [redacted] own posi[redacted]. Economists [redacted] that Brazil may yet [redacted] see open hyperinflation [redacted] such groups are really prepared to put the country's interests before their [redacted].

Paul Cheeseright says West Midlands engineering companies are seeking salvation in Europe

UK industrial heart with a German beat

As the British economy limps out [redacted] recession into recovery, some British engineering companies have discovered a lifeline in their growing inter-dependence [redacted] the German [redacted]. Nowhere is this more apparent than in the West Midlands, the centre of the UK automotive industry.

"The German automotive market particularly [redacted] helped us quite a lot and been a saviour for a [redacted] of companies," notes Mr Edward Roberts, chairman [redacted] the [redacted] Midlands regional council of the Confederation [redacted] British Industry and [redacted] of Heath Springs, [redacted] automotive components company.

Now, however, Germany's [redacted] *is experiencing problems.* Rising inflation and higher interest rates, coupled with the [redacted] of reunification are flattening internal demand. West German export[redacted], using British components and material, [redacted] finding it difficult [redacted] sell in [redacted] international markets. So the [redacted] looks [redacted] if [redacted] suffering [redacted] temporary enfeeblement.

Yet, just as British companies [redacted] watching with [redacted] anxiety the tightening of [redacted] Germany [redacted], so German companies are participating in [redacted] faltering steps [redacted] the Brit[redacted] recovery. According [redacted] a Warwick University study prepared for Coopers & Lybrand Deloitte, consultants, [redacted] 15,000 German companies [redacted] with [redacted] UK. By [redacted] year there [redacted] about 950 German companies with UK sub[redacted].

[redacted] according to the [redacted] Midlands Development Agency, [redacted] up to [redacted] inward investment, half [redacted] all [redacted] investment [redacted] UK has [redacted] in [redacted] region; it calculates [redacted] there are now [redacted] German companies with manufacturing operations in [redacted] West Midlands. Half [redacted] German arrivals [redacted] area since 1986, noted the Warwick study, [redacted] in [redacted] engineering and automotive [redacted] tors.

While [redacted] investment in the UK was gathering pace during the 1980s, British engineering groups were becoming increasingly drawn to the German market. The lesson [redacted] the *UK recession of the early* 1980s was [redacted] corporate survival could not be secured by relying [redacted] domestic market. So automotive components suppliers, faced with a contraction of the British car industry, both increased direct [redacted] into, and set [redacted] manufacturing subsidiaries in, *European Community countries.* The [redacted] the German market made it an [redacted] target.

Thanks partly to the engineering sector, British trade with Germany [redacted] the extent that Germany supplanted the US [redacted] big[redacted] customer. Total British *exports to Germany* [redacted] from £11.1bn in 1989 [redacted] and in the first five *months of this* [redacted] were [redacted]. Within the total, Brit[redacted] machinery and transport equipment [redacted] rose from £4.8bn [redacted] to £5.9bn in [redacted] this year [redacted] were [redacted] in the first five months.

Consultants [redacted] Industry, part [redacted] Engineering Employers' [redacted] Midlands [redacted], has [redacted] that [redacted] the automotive sector, UK suppliers [redacted] Germany [redacted] successful [redacted] wide [redacted] equipment types, ranging from [redacted] components in metal [redacted] plastic, [redacted] complete engines and transmissions, notably for [redacted] US-owned Ford and General Motors operations". It also [redacted] that Mercedes, BMW and Volkswagen have purchasing [redacted] in the UK.

One such [redacted] supplier [redacted] GKN, [redacted] main UK players in the international automotive components sector. Its core product [redacted] constant velocity joints, which [redacted] an engine [redacted] the wheels of a vehicle and cause the [redacted] rotate. GKN [redacted] unequivocal [redacted] the German market: [redacted] "all important".

GKN will not divulge [redacted] figures [redacted] German busi[redacted] but said [redacted] this year Germany would absorb one third [redacted] total sales [redacted] car and commercial vehicle mak[redacted] the German market took a similar [redacted] of its [redacted] in [redacted] – when German car production held up better than Spanish, Italian [redacted] UK production – [redacted] were probably worth about £335m [redacted] GKN out of a total group turnover [redacted] £2.04bn.

Smaller companies have [redacted] found Germany attractive. Frederick Cooper, an industrial holding company [redacted] in Walsall, has, in [redacted] past [redacted] months built up its German sales of [redacted] in double-glazed [redacted] and windows, *from nothing* [redacted]. Sales [redacted] its pre-coated [redacted] Germany [redacted] accelerated over the past [redacted] said Mr Eddie Kirk, chairman, observing that "the coatings market has increased following [redacted] unification; the products [redacted] into low-value kitchenware".

[redacted] how long the engineering industry can continue to *increase sales to Germany* is a matter of doubt. GKN does not believe that the buoyancy of the German car market "will all fall away again", but it predicts a decline in German car production from [redacted] units in 1990 to [redacted] this year and 4.58m in [redacted] before [redacted] slight [redacted] in [redacted]. The down[redacted] trend may already have begun in August, [redacted] German new [redacted] are [redacted] mated to have fallen by [redacted] per cent to 200,000 from [redacted] year [redacted]. Albert E Sharp, the Birmingham stockbroker which tracks the performance of the British components makers, believes their profits will be lower this year, then unchanged next.

Feelings of unease are not confined [redacted] the automotive sector. W Canning, [redacted] Birmingham-based company, has [redacted] components [redacted] tribution business in Germany, selling largely to medium-sized [redacted] engineering companies dependent [redacted] export markets. "This business [redacted] been quiet and [redacted] every [redacted] continuing [redacted] quiet," said Mr Ron Brown, Canning's finance director.

An upturn in the UK market for manufactured products would compensate for [redacted] German downturn, but such a trade-off [redacted] doubtful. For [redacted] next [redacted] months British engineering companies will probably [redacted] contend not only with a weak domestic market [redacted] also with [redacted] weakening German market.

LETTERS

South Africa must be robust

[redacted] Mr N J R J Mitchell.

Sir, In the US, the [redacted] Department [redacted] still having to [redacted] organisations that [redacted] against Namibia should [redacted] lifted, because [redacted] country has been independent for for 18 months. Archbishop Huddleston's letter (September [redacted] that the Anti-Apartheid Movement [redacted] the same [redacted].

The process of change in [redacted] irreversible, but [redacted] democracy [redacted] only succeed, and indeed survive, [redacted] *is sufficiently* [redacted] least [redacted] minimum expectations [redacted] the majority. A necessary condition for generating growth in [redacted] economy [redacted] external investment and [redacted] to [redacted]. This growth [redacted] generate [redacted] with which a future [redacted] provide jobs, *housing,* [redacted] *and* [redacted]. ANC economists [redacted] awakening [redacted] fact [redacted] a time [redacted] starting to [redacted] growth and achieving results. Action is needed now if a future democratic government is to inherit a viable situation.

It is mischievous for external groups [redacted] as the AAM to [redacted] call [redacted] repressive [redacted] in order to justify their continued [redacted] friends would encourage all [redacted] economic and political co-operation.

N J R J Mitchell,
director-general,
British Industry [redacted] on South Africa,
45 Great Portland Street,
[redacted] SW1P 3LT

British Gas not a barrier to entry into UK market

From Mr Peter J [redacted].

Sir, Your editorial, "Competition in Gas" (September [redacted]) misrepresented [redacted] current [redacted] the UK [redacted] and was somewhat misdirected in [redacted] criticism [redacted] British Gas. The gas regulatory framework established in the UK, as overseen by Ofgas, is rather remarkable in the European context and is perfectly adequate. This is evident from the progress made by the inde*pendent gas marketers over* [redacted] past 1-2 years.

Notwithstanding (unjustif[redacted]) criticism, BG provides a [redacted] aggregation [redacted] supply service with both advantages and *disadvantages.* However, with published price schedules and published transportation tariffs, [redacted] are, in *reality,* no [redacted] the entry of independent [redacted]panies to [redacted] UK [redacted] market. [redacted] such, [redacted] inability [redacted] supply [redacted] to potential power [redacted] should [redacted] seen as [redacted] positive [redacted] in stimulating gas supply competition. If [redacted] gen[redacted] the gas they [redacted] from BG, they will have [redacted] directly either [redacted] producers (as BG would have to do) or [redacted] independent marketers. In [redacted] way, power generation, the [redacted] growing [redacted] of the UK gas market, will not be dominated by BG.

[redacted] two main problems affecting [redacted] UK gas industry. First, potential gas producers and power genera[redacted] preferred to involve BG in [redacted] supply/demand process. While this probably reflects both proj[redacted] financing [redacted] and the greater degree of operational flexibility/supply security offered by BG, it [redacted] sad [redacted] the apparently unimaginative approach [redacted] purchases/sales adopted [redacted] far by [redacted] independent power generators and UK [redacted] produc[redacted].

[redacted], no-one [redacted] that all [redacted] a majority of [redacted] power generation projects mooted will proceed. This [redacted] problem [redacted] the inability [redacted] secure [redacted]. It has much [redacted] with [redacted] dubious [redacted] viability [redacted] project [redacted] end-product may [redacted] price which may [redacted] recover [redacted].

[redacted] a [redacted] in the past. In [redacted] instance, however, while one cannot deny [redacted] in [redacted] market, it [redacted] industry in general [redacted] is in danger [redacted] missing an [redacted] commercial opportunity. [redacted] would [redacted] far [redacted] in [redacted] attempt [redacted] competition in [redacted] European gas industry. Our [redacted] is [redacted] the present diffi[redacted] in the UK can be [redacted] come if [redacted] producers and gas purchasers are prepared [redacted] approach [redacted] problem with a degree of lateral thinking.

Peter J Jones,
Gaffney, Cline & Associates,
Bentley Hall,
Blacknest, Alton,
Hants GU34 4PU

Code heralds [redacted] change

From [redacted].

Sir, [redacted] revelations on [redacted] proposed Banking Code of Practice ("Banks' bill of rights", September 19) and in particular that [redacted] will [redacted] on *information* [redacted] customers [redacted] companies in [redacted] same group without [redacted] consent, holds [redacted] portent, not just [redacted] banks but for [redacted] direct marketing industry.

[redacted] a [redacted] will force [redacted] sea change having frightening [redacted] large number [redacted] financial [redacted] vices companies. Research [redacted] that the majority [redacted] consumers would [redacted] "opt in" [redacted] necessarily [redacted] future product information, [redacted] specific products [redacted] product groups; first, they [redacted] their future [redacted] and, [redacted] ond, [redacted] natural [redacted] would prevent many from completing a [redacted].

While [redacted] could [redacted] with one [redacted] proposed [redacted] governing principles – that [redacted] "acting fairly and reasonably in dealings with customers" – [redacted] surely be preferable [redacted] banks, building [redacted] and [redacted] financial [redacted] follow existing industry guidelines [redacted] list and [redacted] practice, giving consumers [redacted] opportunity to "opt out" of receiving future information and [redacted] they know they [redacted] not [redacted].

R [redacted] Moncrieff,
chairman,
Saatchi & Saatchi Direct,
80 [redacted] Street,
London W1A 1AQ

Misleading numbers on auto industry productivity

[redacted] Prof Daniel T. [redacted].

Sir, [redacted] significance [redacted] the opening of the Nissan, Toyota [redacted] Honda plants in the UK dawns on [redacted] who have [redacted] made [redacted] study [redacted] the auto industry, there [redacted] interest in comparing the performance of [redacted] plants with the [redacted] plants in the UK. Many misleading numbers are already being quoted that are not comparable.

Our experience in carrying out the largest assembly plant survey ever undertaken across the world is that one has to make quite sure one specifies the precise activities you are comparing between plants (to include welding, painting and assembly, [redacted] instance [redacted] build); to adjust [redacted] product [redacted] (number [redacted] option content); and [redacted] exclude absenteeism and relief time. [redacted] needs also [redacted] include not just [redacted] labour but also [redacted] indirect and salaried [redacted]. Only having done [redacted] can one assess the performance gap [redacted] the Japanese-owned [redacted] other plants.

There *is no doubt that* what the British management team at Nissan in Sunderland has achieved is incredibly impressive and world class. To my knowledge there are currently no other plants in the UK that take less than 35 hours to do what [redacted] average Japanese plant [redacted] in [redacted] hours, [redacted] the worst UK plants [redacted] 55 hours or more.

The harsh but simple truth is that [redacted] plants that are [redacted] able at [redacted] double [redacted] productivity and quality [redacted] years will [redacted]. There are no longer [redacted] excuses.

Prof. Daniel T. Jones,
Sunnybank House,
Little Birch,
Hereford HR2 8BB

> **Fax service**
> LETTERS may be faxed on 071-873 5938. They [redacted] be clearly typed [redacted] not [redacted]. Please set fax machine for fine resolution.

Gold security

[redacted] W F Spanner.

Sir, Re the Bank of Credit and Commerce International collapse, the regulating authorities (Bank of England in UK, Federal Reserve Bank in the [redacted]) could prevent banking frauds by making it mandatory [redacted] banks [redacted] their deposits by a small percentage [redacted] bullion – say 1 per cent in gold.

This, incidentally, would strengthen national finances by increasing gold [redacted] and would also help gold-producing countries, such as the [redacted] Union and South Africa.

W F Spanner,
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FINANCIAL TIMES
Monday September 23 1991

Mutual suspicion disrupts latest attempt by opposing sides to stop slide to civil war

Yugoslavs fight on despite ceasefire

By Judy Dempsey in Zagreb and Michael Littlejohns at the United [illegible]

MUTUAL suspicion [illegible] the latest attempted ceasefire between Croat and federal Yugoslav [illegible] yesterday as shooting broke out in Zagreb, the Croatian capital, and federal army [illegible] attacked the eastern city of Osijek.

Hours [illegible] Mr Franjo Tudjman, the president of Croatia, and General Vejiko Kadijevic, the [illegible] defence minister agreed an "absolute and mutual [illegible]" to take [illegible] at 3pm local time, sniper gunfire [illegible] through [illegible] of [illegible] and sporadic fighting continued in other parts of the republic.

Mr Tudjman said yesterday that negotiations on separating the warring parties would begin once the ceasefire was in place, [illegible] that the talks would be aimed at implementing an EC-sponsored peace pact brokered last week by Lord Carrington, the former British foreign secretary.

The United Nations Security Council is expected to [illegible] at foreign [illegible] level on Wednesday or Thursday to [illegible] the Yugoslav crisis, especially if the ceasefire again fails to hold, officials said last night.

France, current president of the Council, has proposed the session. The UN must though

'Carving out a greater Serbia'........................Page 3

be careful in approaching Yugoslavia's problems because *of the rule against interference* in the internal affairs of a member state.

But this could be over-ridden if it was determined that civil war in Yugoslavia would constitute a wider threat, to international peace and security. Then, a [illegible] of measures could be [illegible] in train, including an [illegible] embargo or a ban on [illegible] shipments.

In an attempt to secure the tenth ceasefire in three months Mr Tudjman, whose ill-armed forces [illegible] control of Petrinja and [illegible] during heavy fighting with the federal army over the weekend, ordered the republic's national guard to *stop fighting. He* [illegible] *called for* the immediate restoration of medical, food, [illegible] and electricity supplies to all federal army barracks in Croatia which have [illegible] blockaded by Croatian national guardsmen for [illegible] a week.

The shooting in the [illegible] capital, however, coincided with reports by Zagreb radio that federal army units and [illegible] paramilitary [illegible] fired artillery and mortar ammunition on Osijek, the largest town in Slavonia. Mr Milan Brezak, the deputy interior minister of Croatia, said he [illegible] "pessimistic" about the latest [illegible]. He added that [illegible] Veljko Kadijevic, the federal defence minister, "could not be trusted" to [illegible] any ceasefire.

In the inevitable confusion of battle it was unclear yesterday [illegible] the snipers [illegible] Serb nationalists or Croatia's [illegible] rightwing extremists [illegible] the [illegible] Party of Rights.

A greater Serbia, Page 3

UN prepares to vet Cambodia poll

By [illegible] Littlejohns at the United Nations

THE FIRST PHASE of [illegible] is likely to be the biggest-ever UN peacekeeping and election-control operation is expected to be [illegible] in mid-November following the resolution of all the principal [illegible] [illegible] Cambodia's civil war.

UN officials [illegible] last night at the end of talks in New York [illegible] 12-year [illegible] will be ready for signature in Paris next month, paving the way for an operation that could cost [illegible] over two years.

The officials said it was vital to have a UN good offices mission, comprising military and civilian personnel, in place as soon as possible. The Security Council is expected [illegible] shortly to [illegible] that proposal, a first step towards the establishment of a UN Transitional Authority in Cambodia.

Representatives of the US, Britain, France, the Soviet Union and China were joined by [illegible] – as co-chairman of the Paris conference – in talks at the UN on Friday that were expanded on Saturday to include the other [illegible] of the 19-nation [illegible] group, including Japan.

After the final New York meeting, Sir John Coles, the chief British negotiator, said: "There are no [illegible] remaining." He was confident a peace accord would be signed by ministers in Paris "about the end of October".

Mr Hun Sen, Cambodia's prime minister, said "It only [illegible] arrangements on military matters." In general, what he [illegible] the "complexities of the problem" had been settled.

The breakthrough came with his acceptance of proportional representation as the basis for UN-supervised elections to a national assembly in all [illegible] provinces. He had previously insisted on a "winner take all" system in the electoral districts. That was opposed by the insurgent leaders, including [illegible] Norodom [illegible].

Although the permanent members of the Security Council preferred a 100 per cent demobilisation of Cambodian [illegible] before elections, there now is agreement on a 70 per cent demobilisation, with the remaining troops being disarmed and confined to barracks. Eventually, there would be [illegible] or absorption into a Cambodian [illegible] army.

OECD warns on Italian economy

By Robert Graham in Rome

ITALY'S high rate of inflation,high unemployment and large budget deficit are placing the economy increasingly out of line with the rest of its main [illegible] partners, according to the Organisation for Economic Co-operation and Development.

The warning appears in the OECD's annual [illegible] of Italy, which is [illegible] today. It [illegible] a relatively optimistic forecast of 2.5-3 per cent growth next year, with the current [illegible] likely to shrink to 1 per cent of [illegible].

But the organisation [illegible] the stern challenge facing Italy. It "[illegible] the [illegible] with one of the [illegible] highest rates of inflation and unemployment, and levels of public debt and budget deficits. These imbalances are mutually reinforcing."

Italy's 1992 budget is to be presented at the end of the month. The survey says a reduction in the exceptional level of public [illegible] is only likely if the government is serious about cutting public expenditure.

In 1990, public debt surpassed the value of GDP for the first time since 1924 (except [illegible]). The gap between Italy's debt/GDP ratio [illegible] the [illegible] largest OECD [illegible] is [illegible] 50 percentage points – a [illegible]. The survey [illegible] Italy's burden of heavy [illegible] payments, which can only be palliated by the recent shift from short-term to medium and long-term borrowing.

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The OECD recognises that Italy has [illegible] in the fiscal [illegible] by joining the narrow band of the European exchange rate mechanism.

It also [illegible] the government's [illegible] subsidies, privatise and curb transfers, especially pension payments. However, the survey expresses scepticism over the political will to implement reform.

The "soaring public [illegible] costs" are of particular concern. In 1990, these increased 15.7 per cent in nominal terms, nearly twice as much as those in the industrial private sector.

"The configuration of stricter pay discipline in the private [illegible] and the [illegible] of corresponding strictures in the public sector is a matter of concern for a country faced with high inflation and a huge budget deficit," the survey said.

In June, consumer prices were 7 per cent higher than the previous year and [illegible] the rates of Germany and France. The survey [illegible] that wages [illegible] greater flexibility in the labour market and for changes to central [illegible] bargaining and a thorough [illegible] of wage [illegible] practices. Labour flexibility [illegible] help to trim [illegible] unemployment – at 11 per cent twice the OECD average.

US ready to shift on IMF membership

Continued from Page 1

transfer of [illegible] from one spending category to another.

At the summit of the Group of [illegible] nations before the failed coup, the US proposed "associate membership" of the IMF for the Soviet Union in a [illegible] to halt president Mikhail Gorbachev's campaign for $20bn of financial aid.

Last month Mr John Major, British prime minister, persuaded Mr Bush to support accelerated "[illegible]" membership".

The US Treasury has argued that the [illegible] unnecessarily [illegible] from practical steps such as IMF and World Bank [illegible] assistance.

The Treasury is also [illegible] about [illegible] payments difficulties, and the threat of a [illegible] rescheduling demand.

Giscard warns on immigrants

By William Dawkins in Paris

MR Valéry [illegible] d'Estaing, former president of France, ignited a political [illegible] at the weekend over immigration.

He proposed tougher nationality rules, warning of an immigrant "invasion" and calling for a [illegible] on [illegible] more importance be given to "[illegible] rights" as a criterion for French nationality, and less to residence rights.

This is the first time that Mr Giscard, president of the conservative UDF party and one of the [illegible] plausible possible right-wing [illegible] for the 1995 presidential election, has openly [illegible] a tough line on immigration, the main electoral [illegible] of the extreme-right National Front.

He is the latest and [illegible] opposition politician to call for a clampdown, the electoral value of which was [illegible] in an opinion poll by Sofres, published next to Mr [illegible] article in the right-wing newspaper Le Figaro, which [illegible] 23 per cent support for the anti-immigration line of Mr Jean-Marie Le Pen, the Front president.

[illegible] politicans [illegible] the spectrum have flirted with the Front's line, but Mr Giscard is the most [illegible] opposition figure to bid for the initiative on immigration.

Mr Giscard's move has reinforced the importance of immigration in the battle, now beginning, for the regional [illegible] March and parliamentary [illegible]. Rising unemployment, sporadic urban riots and the [illegible] internal frontier [illegible] in Europe have led to concern.

Yet the number of foreigners [illegible] in France has remained roughly [illegible] (or [illegible] per cent of the population) over the last decade, Insee, the [illegible] statistics agency reported.

Giscard d'Estaing: urged tougher nationality rules

Car sales quotas divide EC and Japan

By [illegible] Done, Motor Industry Correspondent

THE European Community and Japan remain [illegible] key [illegible] concerning Japanese car sales in Europe, including the [illegible] of Japanese vehicle production within the EC and the sharing of [illegible] growth or decline in demand for new vehicles.

According to previously unpublished statements, produced as appendices to the main EC/Japan agreement on [illegible] in cars in Europe which was reached at the end of July, the Japanese side has refused to recognise either:

● [illegible] Commission's "working assumption" that Japanese transplant production (vehicles built at Japanese plants located in Europe) would reach only 1.2m by the end of 1999, or,

● the Commission's "internal [illegible]" that EC producers should benefit from [illegible] of the growth in the EC new vehicle [illegible] in the [illegible], and that Japanese producers [illegible] their [illegible] exports from Japan in the case of [illegible] meeting [illegible].

In the deal [illegible] at the end of July, [illegible] of Consensus", Mr [illegible] Andriessen, European [illegible] affairs [illegible] Mr Nakao, Japanese minister for [illegible] trade and industry, agreed that there would be "no [illegible] on Japanese investment" in the EC, and that there would be "free circulation" in the EC for European-built Japanese [illegible].

An appendix to the main agreement, hitherto unpublished, [illegible] further declarations in which Mr Andriessen [illegible] backing from the Japanese for the 1.2m [illegible] plant figure.

He tells Mr [illegible] "During [illegible] negotiations, the Com[illegible] on various working assumptions concerning the automobile [illegible] developments in the future including [illegible] of 1.2m vehicles" for the annual [illegible] volume by 1999 of European-built Japanese [illegible] in the EC.

In a formal reply Mr Nakao [illegible] to take up the transplant output figure of 1.2m [illegible] Japanese direct exports [illegible] having [illegible] "taking into account total demand and the EC manufacturers' supply capacity as a whole".

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The markets wake up with a yawn

By Anthony Harris

"I [illegible] you attention to the [illegible] of [illegible] in the night." "[illegible] the [illegible] nothing in the night." "[illegible] significance of the [illegible] in the night."

[illegible] Holmes (with apologies to Barry Riley) is relevant *again. Last* [illegible] *we had some* large, old-fashioned bids, but the watchdogs in the market scarcely stirred, and that is the significant point. The [illegible], if you remember, did not [illegible] he knew the footsteps [illegible] disturbed him; and the market did not [illegible] because it has been discounting some [illegible] it [illegible].

It has just been a matter of rounding up the usual [illegible]pects. This does not mean that the bids are of no significance. [illegible] shown only questionable [illegible] to the bidder or to the [illegible]. They [illegible] show [illegible] always [illegible] to the shareholders [illegible] who get a share [illegible] of the value the bidder hopes to unlock – and on occasion, all of it and more. This can be just as true, as we were reminded recently with Etam, of failed [illegible] of [illegible] bids. Bids, then, ought to be good news. In that [illegible], why the yawn? Either [illegible] the market [illegible] only [illegible] from further falls by the bids, or [illegible] the market doubts that there are any [illegible] came from. Both [illegible] probably have something in them. The optimism of the chancellor and of many profits [illegible] is getting [illegible] (and a bit implausible), so the market has been sullen [illegible] other good news, notably the fall in interest rates. It has got ahead of itself, like the housing market. It needs a steady flow of better news simply to stand still.

The corporate troubles that are still appearing are concerned with over-valued [illegible] rather than under-used [illegible], which is hardly inviting

However, [illegible] good news is more likely to [illegible] about the economy than [illegible] bids. In [illegible] days of [illegible] aversion, there is [illegible] to be a distinct shortage of [illegible] and those that do appear are likely to be more cautious about paying fancy prices for goodwill and hope. That is one reason why the habitual bidders had been [illegible] to move. There is [illegible], after the long [illegible] a shortage of ill-managed [illegible] to tempt them.

The corporate [illegible] that are *still appearing* [illegible] concerned with [illegible] assets rather than under-used ones, which is hardly inviting. Where management is thought to be due for replacement, the investing institutions and the banks now feel forced to move, rather than to wait for a bidder to spare them the unpleasantness, and so leave shareholders to soldier on. Wasserstein Perella showed this again with Isosceles last week, and history will surely go on repeating itself with other debt-laden companies. In short, these are not accidents, but a natural [illegible] of [illegible] lending and a [illegible] on profit [illegible].

[illegible] do prices now reflect these [illegible] realities? Sluggish prices suggest [illegible] awakening, but I [illegible] that a lot of investors are inclined to snuggle back under the [illegible] rather than [illegible] measure of the grey weather outside. The measure of this is in the old-fashioned tone of most of the brokers' comment. Most of this still seems to assume that normal service will be resumed, though not perhaps as soon as had been hoped. A solid discussion of a world in which easy credit, which has fuelled all the booms of the last three decades, may not be seen again for another two or three, would be more impressive.

* * *

The banks are not the only people who are now risk-averse. The US Congress is showing an acute appreciation of what has changed in its work on the official proposal to modernise the US banking system. This is only in the sub-committee stage *at the* moment, and there is time for compromise before the end of next month, when the two houses will try to reconcile their proposals. It already seems clear, though, that what will emerge will be far short of the Administration's hopes – so far, perhaps, that the whole reform and repeal of Glass-Steagall, which has been under discussion for more than five years, may be deferred yet again. Congress seems ready to let banks diversify their risks by covering more territory (which is itself a major advance, given the lobbying power of local banks), but not to allow them to [illegible] classes of risk, in insurance or investment under-writing.

This is all sharply disappointing to the White House, which goes on vapouring about the "necessity" to make US banks "internationally competitive", but Congress is surely right to shrug this off. It is not clear that competition of the kind that can be shown in league-tables is [illegible] or even desirable, [illegible] is concerned.

The Fed, which used to bang the drum very loudly for reforms of this kind, is now making no more than routine gestures of acceptance, and for good [illegible]. During the banking troubles of recent years, its research staff has invested [illegible] effort in devising models of possible banking troubles. Only one of them proved reliable, according to Manuel Johnson, the recent vice-chairman of the Fed, who was passing through [illegible] last week.

The [illegible] infallible sign of trouble was the growth rate of the bank. The faster they grew, the harder they fell. This ought not to be surprising. [illegible] have always suggested that a healthy banking system should grow fairly closely in [illegible] economy, but it is [illegible] prise, after the gung-ho 1980s, to find that it really is as simple as that. It is surely a lesson which all the central banks will take to heart once they turn to discussing future policy, rather than the blame for past scandals.

Academic studies have always suggested that a healthy banking system should grow fairly closely in step with the real economy

This is good news for the long-term conquest of inflation, and for avoiding [illegible] of what look like increasingly scarce resources; for the same *reason, it is bad news for* speculators. It is bad news especially for those [illegible] hope that the rubble of debt and ill-advised investment left over from a decade of fatuous optimism will be cleared up by inflation, or a surge in the real [illegible], as happened last time, and the time before that.

Tbilisi television station held

[illegible] Page 1

resignation, claiming he is a dictator who has failed to [illegible] promises, and is damaging Georgia's attempts to gain international recognition of its independence.

Yesterday, 33 people were injured in fighting in the city. [illegible] thousand government supporters tried to dismantle opposition [illegible] and [illegible] drove the opposition out of the former Institute of Marxist-Leninism, forcing it to regroup at the television [illegible].

The [illegible] are [illegible] to use the transmitter as lines have been blocked. Georgian television remained in the control of Mr Gamsakhurdia, broadcasting directly from a studio in the Supreme Soviet building linked to a television mast still in government hands.

Yesterday it showed only still pictures of Tbilisi, with occasional bursts of Georgian folk music, and interrupted by readings of presidential [illegible].

Outside the government building and throughout the city the strength of Mr Gamsakhurdia's support [illegible].

"He [illegible] us from [illegible]nism, he gave Georgia its independence," said [illegible] engineer.

At the [illegible] centre, his [illegible] were not afraid to compare Mr Gamsakhurdia with Stalin, [illegible] or Saddam Hussein.

Mr Georgi Hoshtaria, the former foreign minister who resigned three days before August's failed coup in Moscow – which Mr [illegible]hurdia is claimed by the opposition to have supported – said: "I would not say he is mad, but there is something very strange about him."

Mr Gamsakhurdia, who was elected president in May with [illegible] per [illegible], has [illegible] opposition newspapers, suppressed parliamentary opposition and [illegible] control of Georgian radio and television. He recently suspended classes at all institutes of higher education, apparently to hamper support for the democratic movement.

Brazil's flotation halted

Continued from Page 1

gramme, admitted yesterday that even if the sale did now go ahead there would be a serious [illegible] of credibility and considerable [illegible] that it might later be annulled.

The official added that the Usiminas flotation price was likely to be lower than [illegible]ted, particularly if the [illegible] ruled that foreign [illegible] instruments might not be used.

BNDES [illegible] that there is $45bn in eligible foreign debt and has set a discount rate of 25 per cent to make the equity swap [illegible] to creditor banks.

The main group in the bidding for Usiminas is J.P. Morgan and Belgo Mineiro, a majority Belgian-owned [illegible] group. Citibank is also expected to participate. [illegible] foreign interests [illegible] withdrawn [illegible] of uncertainties over the programme.

Usiminas is Brazil's most profitable steel company with a projected profit of $150m this year. It is the first of 27 companies due to be sold by the end of next year to [illegible] a target of $18bn all of which by law will go [illegible] reducing the country's debt.

[illegible] admit that failure of the flotation would put the whole [illegible] in [illegible] at a time when the appetite of international [illegible] for Brazilian equity, and for Latin American investments generally, is sharpening.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	[illegible]	28	82
Algiers	[illegible]	[illegible]	90
Amsterdam	F	15	59
Athens	S	28	82
[illegible]	S	34	93
Bangkok	F	33	91
Barcelona	S	27	81
Beirut	F	26	79
Belfast	F	11	52
[illegible]	S	25	77
Berlin	F	[illegible]	77
Biarritz	F	24	75
Bombay	F	[illegible]	90
Bordeaux	[illegible]	[illegible]	75
Boulogne	R	17	63
[illegible]	C	14	57
Budapest	F	[illegible]	68
Buenos Aires	F	20	68
Cairo	C	29	84
Cape Town	S	19	66
Caracas	C	35	95
Casablanca	F	26	79
Chicago	C	12	54
Cologne	F	22	72
Copenhagen	T	14	57
Corfu	S	27	81
Dallas	S	16	61
Dublin	C	14	57
Dubrovnik	S	26	79
Edinburgh	R	12	54
Faro	[illegible]	27	81
Florence	[illegible]	27	81
Frankfurt	S	21	70
Geneva	S	26	79
Gibraltar	F	26	79
Glasgow	[illegible]	13	55
Helsinki	F	11	52
Hong Kong	F	29	84
Innsbruck	S	21	70
Inverness	F	12	54
Islamabad	[illegible]	[illegible]	90
Istanbul	F	22	72
Jakarta		–	–
[illegible]	S	17	63
[illegible]	S	23	73
Lima	F	20	68
Lisbon	[illegible]	25	77
London	C	17	64
Los Angeles	S	18	64
Luxembourg	F	22	72
Madeira	S	25	77
Madrid	S	26	79
Majorca	S	29	84
Malaga	S	[illegible]	[illegible]
Malta	S	29	84
Manchester	F	14	57
Manila	R	30	86
[illegible]	C	[illegible]	[illegible]
Mexico City	C	23	73
Miami	S	26	79
Milan	F	25	77
Montreal	S	6	43
Moscow	C	8	46
Munich	[illegible]	[illegible]	81
Nairobi	F	26	79
Naples	[illegible]	27	81
Nassau	C	31	87
New Delhi	S	33	91
New York	S	12	54
Nice	S	[illegible]	79
Nicosia	[illegible]	27	81
Oporto	[illegible]	22	72
[illegible]	[illegible]	12	54
Paris	R	15	59
Peking	F	25	77
Prague	S	24	75
[illegible]	[illegible]	7	45
Rhodes	S	26	79
Rio de Janeiro	F	30	86
Rome	F	27	81
Salzburg	S	24	75
San Francisco	C	13	55
Seoul	F	25	77
[illegible]	F	31	88
Stockholm	F	[illegible]	59
Strasbourg	T	[illegible]	64
Sydney	S	18	64
Taipei	R	27	81
Tangier	F	29	84
Tel Aviv	F	27	81
Tenerife	F	26	79
Tokyo	F	25	77
[illegible]	S	4	39
[illegible]	S	32	90
Valencia	S	[illegible]	[illegible]
Venice	F	24	75
Vienna	S	21	70
Warsaw	S	19	66
Washington	S	11	52
Zurich	S	24	75

Temperatures at midday yesterday C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

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INSIDE

Anglo United wants to buy British Coal

By Robert Peston and Roland Rudd

ANGLO UNITED, owner of the Coalite smokeless fuel business, has proposed that it buy British Coal, the coal producer which the UK government plans to privatise should it win the next general election.

The offer, which [illegible] being examined by the Department of Energy, pro[illegible] solutions to the enormous difficulties [illegible] a privatisation outlined by N. M. Roths[illegible], [illegible] merchant bank advising the government [illegible] of [illegible] Coal.

A confidential report by Rothschild, recently [illegible] to [illegible] UK Department [illegible] Energy [illegible] the UK Treasury, [illegible] there will only [illegible] a "remnant industry" [illegible] an "unpredictable income earnings stream" [illegible] British [illegible] does not sign supply [illegible] with [illegible] main customers, National Power and PowerGen, the electricity generators, by [illegible]

Current [illegible] with National [illegible] PowerGen, which [illegible] most [illegible] British Coal's output, expire in March, 1993. Rothschild has told the Treasury that if British Coal [illegible] not sign medium-term contracts by 1992, up to 50 pits would have to close and 45,000 miners would [illegible] their jobs. The corporation would be left with no more than 10 pits and [illegible] than 15,000 miners.

Rothschild has in effect presented two unpalatable [illegible] to the government; [illegible] it must intervene in [illegible] commer[illegible] [illegible] the recently-privatised electricity generators, [illegible] preside [illegible] massive programme of mining lay-offs.

Apart from Anglo, it is understood that Hanson, the conglomerate, and RTZ, the mining group, have both told the government they [illegible] be [illegible] buy all or part of British [illegible]. But Anglo has told the government it [illegible] prepared to take control of British [illegible] even if no contracts with the generators have been signed. It would also be prepared to take on the responsibility for closing pits, [illegible] than forcing the [illegible]ernment to streamline the industry prior to privatisation.

Anglo [illegible] been working with consul[illegible] on [illegible] possible acquisition [illegible] British Coal since [illegible], when it bought Coal[illegible] for [illegible]. A purchase by Anglo could [illegible] place as soon as next spring. Under its detailed proposals, a [illegible] would be created, [illegible] PLC, which would acquire [illegible] Anglo and British [illegible] by mak[illegible] a [illegible] issue [illegible]. In effect, this would be a reverse takeover of British Coal by Anglo, although it would [illegible] be taking on all British Coal's liabilities.

Many of the new [illegible] in British [illegible] PLC could [illegible] sold [illegible] the public, satisfying the government's preference for widening [illegible] ownership through privatisation. The [illegible] would [illegible] minimise [illegible] debt burden in the merged [illegible] Coal's huge potential liabilities – for [illegible] and [illegible] industrial injuries, subsidence [illegible]mation of disused mining [illegible] – would [illegible] be acquired by Anglo but [illegible] be vested in [illegible] new trust, which [illegible] remain in [illegible] public [illegible].

[illegible] has been compiling [illegible] options on how to sell British Coal [illegible] it will give [illegible] the government [illegible] month.

Holmes Protection faces an improbable coup

Norma Cohen and Jane Fuller explain a marvel

This [illegible] story [illegible] improbable boardroom coup, led by [illegible] man who, aside from [illegible] role [illegible] the [illegible]pany in question, was completely unknown until early [illegible] backing him. His investment advisory company [illegible] financial difficulties of its own and his former business partner was the subject of civil claims by his former employer.

Yet, Holmes Protection Group – [illegible] London-listed, but US-based security group – has so stunningly failed to win the confidence of its institutional [illegible]tors that the improbable coup appears on the verge of success. Tomorrow, shareholders will decide whether to accept proposals from Mr Eric Frank Kohn, chairman [illegible] Barons Financial [illegible] (UK) – and owner [illegible] 0.53 per cent of Holmes – to elect [illegible] board which will appoint him acting chief executive officer and [illegible].

How Mr Kohn came near to success is a marvel, even to some of those institutions which now say they are likely to support him. Yesterday, Mr Kohn said 48 per cent of shareholders would vote with him and that more support was pouring in daily.

[illegible] Dun & Bradstreet report on Mr Kohn's company, Barons, gives it a rating of N4. This indicates "a financial strength which is negative and an overall condition which is poor". The report describes the company's trend as "down" and urges that guarantees be sought by those extending credit.

Meanwhile, Mr Kohn's former partner in Barons, Mr Brian McHugo, has been the subject of civil suits from Greyhound Dial Corp. Mr McHugo had been head of Greyhound's [illegible] financial and leasing subsidiary. He was accused of having made improper loans to shipowners. In March [illegible], Mr McHugo was the subject [illegible] a so-called [illegible] injunction freezing his [illegible] world-wide.

This, Mr Kohn said, [illegible] he knew [illegible] his partner's activities, although he says he [illegible] heard vague unsubstantiated talk [illegible] problems [illegible] he entered the partnership. Upon learning of the Mareva, Mr Kohn [illegible] immediately [illegible] steps [illegible] relationship and by September [illegible], Mr McHugo [illegible] no longer associated with Barons.

Mr Kohn acknowledged [illegible] Corp [illegible] still seeking roughly SFr1m ($680,000) from his firm's Geneva-based parent, half of which was guaranteed by himself, the other half by Mr McHugo.

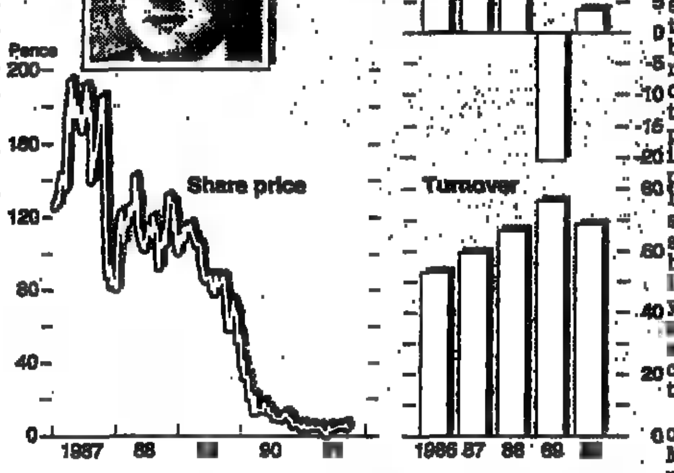
ERIC KOHN

[illegible] despite [illegible] difficulties, Mr Kohn has been [illegible] line up [illegible] board [illegible] Sir Ian MacGregor, former chairman [illegible] British Coal and British Steel, and Ms Barbara Thomas, a former US Securities and Exchange Commissioner. Mr Kohn said he only met Sir Ian four months ago through [illegible] mutual friend. [illegible] was an acquaintance from [illegible] Trust where, between 1986 [illegible] 1988, he headed their Swiss-based corporate finance department.

Sir Ian says he has thrown his support behind the group partly [illegible] he had heard of Mr [illegible] reputation as [illegible] deal-maker in corporate finance. But mostly [illegible] did [illegible] because "Mr Kohn is the guy who identified [illegible] a large number [illegible] investors the problems at the company and its management".

That sentiment [illegible] echoed by several of Holmes' largest [illegible] shareholders [illegible] had watched the company's share [illegible] slide to ¾p last May from [illegible] high [illegible] about 190p.

Mr [illegible] assault on Holmes [illegible]'s board began [illegible] annual general meeting in London in June when [illegible] announced that a group of investors backing him had purchased [illegible] 14.7 per cent stake in the com[illegible]. That stake had been held by Tyco Investments – formerly [illegible] Wormald International. The total holding of the group backing Mr [illegible] consists of 27.2 per cent of the company. It consists of Scottish Amicable, [illegible] French-based insurer AGF, a Swiss investor, Mr Pierre Besuchetand, and three other shareholder groups [illegible] Mr Kohn declines to identify. Mr [illegible] has a small holding [illegible] shares.



But Mr Kohn's involvement with [illegible] began much [illegible]. In spring of [illegible], Mr Kohn said, Wormald [illegible] him to help sell their stake in the company. Wormald, concerned [illegible] Holmes' performance, sought a representative on its board and asked the directors to accept Mr Kohn. Mr [illegible] he [illegible] non-executive directorship very seriously. Acting as [illegible] self-appointed corporate gadfly, he began questioning [illegible] variety [illegible] the company's [illegible]ties, including [illegible] method of accounting. He eventually came to head the board's audit committee. He objected loudly to the way the company remunerated its executives, paying [illegible] millions of dollars in severance pay to several who have been sacked over [illegible] past few years. He also [illegible] he asked [illegible] to fly club class, rather than first class.

The company's own records show Mr Kohn was paid nearly $200,000 (£118,343) for director's fees and expenses in the period until November 1990. Of that, [illegible] was paid in fees to Barons while another [illegible] was for airline tickets.

According [illegible] Mr John Flack, the company's [illegible] chief executive, the board found Mr Kohn's abrasive manner impossible to work with. Mr Kohn [illegible] the other directors regarded him as a nuisance [illegible] he so often pointed [illegible] their [illegible].

[illegible] this, Mr Kohn apparently won [illegible] admiration [illegible] key [illegible] who [illegible] his warnings [illegible] proved [illegible]. For instance, he [illegible] as part [illegible] loan restructuring agreement [illegible]. Also, [illegible] that [illegible] prospective purchaser [illegible] subsidiary did not have the funds to [illegible] it.

However, according to Mr Flack, Mr Kohn proved so disruptive that Wormald [illegible] asked [illegible] replace him on the board, which [illegible] October [illegible]. By the time Mr Kohn left, [illegible] had found a chairman who had the support of the institutional shareholders, Mr Thomas Mayer, [illegible] Thorn EMI.

After Mr Kohn left the board, the company's fortunes went from bad to worse. It is currently in default on [illegible] in [illegible] and [illegible] asking [illegible] approve [illegible] restructuring [illegible] requires [illegible] except [illegible] York-based operation. It will also give lenders a 33 per cent stake in Holmes in exchange for a write-off of $20m in debt. Last week it reported a sharp drop in turnover for the first six months of this year and a net loss for the period and said [illegible] were still cancelling contracts. Yesterday it said [illegible] had incurred after-tax losses of 2p per share for the six months ended June 30, compared [illegible] year-ago earnings of 4p per share.

However, if 1990 [illegible] are adjusted to reflect the sale of two subsidiaries, earnings would have been nil per share. The pre-tax loss, [illegible] included a $500,000 severance payment to the company's former joint chief executive, was $1.39m compared with a year-ago profit of $306,000.

Mr Kohn [illegible] that he has no formal business plan to reverse the fortunes [illegible] Holmes other than a promise to achieve better terms from lenders and to improve marketing efforts. [illegible] while saying they believe that Mr Mayer is on the right track, criticise him for failing to come to grips with the company's problems quickly.

For his part, Mr Mayer concedes that "with hindsight," he should have kept in touch with institutions more closely.

Maus Frères asks adviser to plan sale of assets

By William Dawkins in [illegible]

MAUS FRERES, the [illegible] family-owned holding group, [illegible] asked Goldman Sachs, the US [illegible] bank, to advise it on possible [illegible] sales, including that of Au Printemps, [illegible] Parisian [illegible] group [illegible] controls.

However, [illegible] company has not yet made a decision on which assets, if any, to sell, said a spokesman for Goldman Sachs. Disposal of part or all of Au Printemps, valued at just over FFr6bn ($1.04bn) on the stock market, was just one of the options facing Maus Frères, he emphasised.

Speculation [illegible] disposal [illegible] in the offing intensified last [illegible] when [illegible] Frères' US retailing subsidiary, Bergner, sought legal protection [illegible] pending [illegible] rescheduling of $900m worth of Bergner debt, agreed by [illegible] consortium of US and French banks earlier this month.

Apart from its own stores, Au Printemps' main assets are a 54 per cent stake in the La Redoute Catalogue mail order business, which in turn owns Empire Stores, the UK mail order business acquired in May.

Au Printemps' profits fell 42 per cent last year because of [illegible] decline in exceptional gains. Maus Frères owns 42.2 per cent of the French group's ordinary equity, but 56.4 per cent of the voting rights.

Pinault, the acquisitive French timber, [illegible] distribution and trading group, has expressed an interest in making an offer, but had not launched a formal bid.

Over the past month specula[illegible] has produced a strong rise in [illegible] Printemps' share price. Pinault's share price, meanwhile, dropped sharply [illegible] the end of last [illegible].

Japanese trade surplus returns to haunt us

Economics Notebook
By Steven Butler in Tokyo

The sharp rise of Japan's trade surpl[illegible] this year, af[illegible] four years of steady declines, [illegible] the ingredients for the remake of a horror movie classic.

The chief question on all the critics' (economists) lips is: after rising from the dead, how soon can the monster be killed [illegible] again? [illegible] answer: [illegible] THING has power to spare.

The resurrection of the surplus, which was 68.4 per cent higher in August alone [illegible]pared with last year, has been attributed to many "special" factors, such as the strength of the yen or the fall in oil prices.

Yet [illegible] combination [illegible] enough special factors can add up to a trend that could be very persistent and extremely annoying to Japan's trade partners.

The relentless rise of Japan's trade surplus in the last decade to a peak of $82.7bn (customs cleared) in 1987 was the source of fierce international arguments that led Japan finally to adopt strong, and successful, measures to reverse the trend.

Last year as a result, the same figure declined to just [illegible].

Yet [illegible] year these good [illegible] come unravelled.

Japan's trade surplus is soaring again, and if some economists [illegible] right, all the old [illegible] will [illegible] be broken, perhaps as soon as next [illegible], when the [illegible] surplus by some [illegible] approach [illegible].

The return of the [illegible] surplus has raised questions about what, if anything went wrong, and whether the surplus will really prove as persistent [illegible] economists project.

Following the [illegible] Plaza [illegible] by which the industrial nations agreed to try to raise the value of the yen, the Japa[illegible] government adopted broad [illegible] aimed at stemming the trade surplus.

Domestic interest rates were lowered [illegible] stimulate demand, financial markets were liberal[illegible] and trade [illegible] dismantled, imports [illegible] promoted, and Japanese companies were encouraged to invest abroad so that local production could replace Japanese exports.

[illegible] surplus fell from 4.7 [illegible] cent [illegible] gross national product in 1987 [illegible].

[illegible] plenty [illegible] evidence [illegible] now emerging that the restructuring of the [illegible] economy may not have been as thorough as hoped for.

The Japan Development Bank, for example, last week issued a report on the changing demand patterns that lay behind the rise in imports to Japan during the period.

The report found that demand for imports during the [illegible] few years [illegible] was increasing [illegible] roughly twice the pace [illegible] the [illegible] in national income.

Early in the decade, imports and national [illegible] were increasing at [illegible] same [illegible]. In [illegible] vocabulary, in other words, the [illegible] elasticity [illegible] demand for imports had roughly doubled.

This in itself seems to have been the sort of restructuring that the government hoped to bring about, yet a look beneath the figures raises serious doubt.

In fact, the only category of imports that saw an increase in the income elasticity [illegible] demand was fossil fuels.

Japan had let slip its much vaunted programme of saving energy. True Japan was also importing many more manufactured goods, such [illegible] luxury [illegible], during the period.

These imports grew roughly three [illegible] growth in income, yet this [illegible] did not increase compared with earlier in the decade.

[illegible] income elasticity of demand [illegible] imports [illegible] economy increased as [illegible] economy [illegible], because manufactured [illegible] for an increasingly [illegible] of imports.

In other words, the rise in imports turned [illegible] be mainly a function [illegible] growth [illegible] than [illegible] fundamental restructuring [illegible] demand.

The author [illegible] the report [illegible] that [illegible] demand [illegible] for manufactured goods [illegible] probably have declined without government import promotion [illegible].

[illegible] worrisome, [illegible] says that maintaining momentum for increasing imports will be difficult.

The report [illegible] the [illegible] on [illegible] reasonably optimis[illegible] on the question [illegible] trade balance.

[illegible] spelling [illegible] range [illegible] plausible assumptions [illegible] economic growth abroad, oil prices, [illegible] and price [illegible]ticities, [illegible] report concludes that the trade surplus would be roughly unchanged in 1995 compared with 1990, at $64bn in real terms (on [illegible] of payments basis), provided Japan's economic growth is maintained [illegible] 4 per [illegible].

This would drive [illegible] the surplus as a ratio of GNP to 1.2 [illegible].

A half-point [illegible] in the growth [illegible] in [illegible] year would [illegible] the surplus.

The report has, none the less, [illegible] partially overtaken by [illegible] because Japan's rate [illegible] economic growth has slowed sharply [illegible] an annualised rate [illegible] just 2 [illegible] the [illegible] quarter [illegible] compared with [illegible] quarter.

The slower [illegible] growth depresses [illegible] imports and gives Japanese manufac[illegible] strong incentive [illegible] overseas markets. And although the yen value of exports [illegible] terribly inspiring, [illegible] dollar values that are [illegible] by [illegible] partners [illegible] still perky.

[illegible] example, [illegible] value [illegible] exports [illegible] by just 1.6 per [illegible] in August compared with [illegible] per [illegible] rise in dollar values.

[illegible] in the yen, the [illegible] in [illegible] domestic [illegible], [illegible] low price [illegible] oil compared with last [illegible] and an expected revival of demand from the US, Japan is set for a string [illegible] monthly jolts as [illegible] are announced.

The question is how long they will persist.

Although the government still believes the economy will grow at 3.8 per cent in the year [illegible] the end [illegible] March, [illegible] are lowering [illegible] 3 [illegible]. [illegible] are also widespread predictions [illegible] further [illegible] in the value [illegible] yen.

This increases the dollar value of exports, but is unlikely [illegible] seriously the competitiveness of Japanese exports because of [illegible] high [illegible] manufacturing invest[illegible] of [illegible] years.

Mr Stephen King, an [illegible] James Capel, argues that [illegible] effort [illegible] curb the trade surplus by stoking domestic [illegible] was always doomed to failure. Only a [illegible] reduction of personal savings in Japan [illegible] encouraged, for example, by loosening controls on [illegible] construction, [illegible] likely to work, [illegible] says.

Since a big sell-off [illegible] agricultural land is not even on the political agenda, [illegible] for [illegible] more thrills [illegible] come.

Chairman of BAe under pressure to step down

By Paul [illegible], Aerospace Correspondent

[illegible] Smith, chairman [illegible] British Aerospace, [illegible] coming under increasing pressure from non-executive [illegible] City institutions [illegible] down.

[illegible] Graham Day, head [illegible] divisions and chairman [illegible] Cadbury Schweppes, [illegible] their favoured [illegible].

However [illegible] responded yesterday [illegible] reports [illegible] growing City disenchantment [illegible] Smith and a possibility [illegible] boardroom coup against him [illegible] a wall [illegible] silence.

[illegible] in [illegible] groundswell building up [illegible] Smith's removal, following BAe's worse-than-expected financial [illegible] badly mishandled launch of a £432m [illegible] rights [illegible].

Several [illegible] have been [illegible] as possible successors, including [illegible] Sir John Nott, the former [illegible] secretary, Sir Allen Shepperd, [illegible] chairman [illegible] Grand [illegible]politan, and Sir Graham.

But [illegible] are growing indi[illegible] that, should [illegible] Smith [illegible] down, a candidate from within the company, like Sir Graham Day, is likely [illegible] preferred solution.

However, many City [illegible] aerospace industry officials expect [illegible] Smith to put up a tough fight [illegible] stay. [illegible] source said that the professor [illegible] likely [illegible] fight to [illegible] his reputation.

The company, one of Britain's biggest manufacturing groups, has been hit by the downturn in all its core busi[illegible]. The company is currently forecasting a sharp fall in pretax profits [illegible] year [illegible] from [illegible] last year.

Talks on several £100m non-core disposals well advanced

Hawker prepares to fend off BTR

By Tracy Corrigan

HAWKER SIDDELEY, the UK engineering group which [redacted] fighting a £1.5bn hostile bid from BTR, is close [redacted] selling its rail division.

Negotiations [redacted] disposals [redacted] several non-core [redacted] of the business [redacted] well-advanced, according to [redacted] source close [redacted] the company. Several disposals, each totalling [redacted] £100m, could be completed in the next few weeks.

One of the disposals under *negotiation is therail division* with annual sales of [redacted] £220m and profits [redacted] £13.6m in its last financial [redacted] Other disposals are expected [redacted] be in the general engineering area. If they are completed quickly, this would [redacted] some way [redacted] scotching criticism [redacted] Mr Alan Watkins, chief executive, for failing [redacted] make sufficient headway in [redacted] much-needed restructuring of [redacted] company, which he joined from Lucas Indus[redacted] in 1989.

The five year plan he was to implement [redacted] company's poor performance during the 1980s, was interrupted when the recession hit Hawker's disposal programme. Mr Watkins said on Friday that he [redacted] "not about to drop this programme half-way through."

However, BTR criticised the [redacted] Hawker management for failing [redacted] "unlock Hawker Siddeley's potential," adding [redacted] there [redacted] little prospect of the management so doing in future. "Hawker Siddeley shareholders [redacted] endured *their company's under-performance* for [redacted] decade", [redacted] Sir Owen Green, chairman of BTR when the bid was launched on Friday.

Meanwhile, speculation that [redacted] further bidder might enter the fray - [redacted] bidder, [redacted] friendly "white knight" - continued during [redacted]

[redacted] to [redacted] that a couple [redacted] continental European companies, with *which Hawker has existing* commercial arrangements, were "obviously [redacted]" in the company.

Lydia Van der Meer

Alan Watkins: [redacted] plans [redacted] criticism

BTR's [redacted] 727p, [redacted] includes [redacted] full [redacted] alternative [redacted] 700p [redacted] share. [redacted] price *jumped 118p* [redacted] *on Friday.*

BTR is [redacted] of [redacted] number of large conglomerates [redacted] companies [redacted] agreed to buy Beazer, the international building materials group, last Monday. A day later, another conglomerate, [redacted] *Holdings* [redacted] hos[redacted] bid for [redacted] Electronics, the [redacted] security [redacted]

Ka-Shing approaches Rosehaugh and Stanhope

By Philip Coggan

MR LI KA-Shing, [redacted] Hong Kong businessman who [redacted] the Cheung Kong property development group, [redacted] understood to have made a preliminary approach [redacted] Rosehaugh and Stanhope, [redacted] UK property [redacted] currently [redacted]

The merger talks have become bogged down in discussion of detail, after earlier hopes that they could be completed by September 13. [redacted] *Ka-Shing* [redacted] only to be interested in investing in a merged company, rather than in either of the individual groups.

The two companies announced that they were considering a merger in July, having *previously been linked via* [redacted] *joint venture* to develop [redacted] centre in [redacted] City of London.

The collapse of the UK property [redacted] has badly affected both companies, whose combined gross debts have been estimated at £1.5bn. Progress in the talks has been complicated by a [redacted] *of personalities* between the chief executives, Mr Godfrey Bradman of Rosehaugh and Mr Stuart Lipton of Stanhope and by [redacted] involvement of Olympia & York, the Canadian property [redacted] has [redacted]

Mr [redacted] is unlikely [redacted] have an exec[redacted] role [redacted] merged company.

[redacted] of Mr Li Ka-Shing is still at [redacted] very early stage, and it is not clear whether he wants merely to take a stake or to take control of the merged company. However, the presence of [redacted] willing to inject cash might help the merger talks progress.

Dewhirst £7.7m cash call

By Peggy Hollinger

DEWHIRST, the clothing and [redacted] group [redacted] supplies [redacted] and Spencer, has announced [redacted] £7.7m rights issue [redacted] pay for [redacted] acquisition of Slimma, [redacted] which [redacted] supplies [redacted] high street retailer.

The purchase will boost [redacted] almost negligible presence in the ladieswear sector.

The acquisition will also increase the proportion of [redacted] clothing sales [redacted] to Marks and Spencer from 78 per cent to about [redacted] per cent.

"We are pleased with the acquisition," *said* [redacted] Timothy Dewhirst, [redacted] "It will [redacted] us a major player [redacted] all three [redacted] - [redacted] childrenswear and ladieswear."

The group will pay Coats Viyella £9.4m [redacted] Slimma's £4.7m debt, [redacted] senting [redacted] multiple of 11.9 times earnings.

The acquisition will be paid for through funds [redacted] the [redacted] increased debt. Borrowings, which were nil at the year-end, will rise to £6.4m.

In [redacted] January 31, Slimma [redacted] pre-tax profits of [redacted] on turnover of £37.9m. [redacted] acquisition would [redacted] dilute earnings this [redacted] or next.

[redacted] one-for-three rights issue [redacted] will bring the Dewhirst family's stake [redacted] from 38.3 per cent to about 30 per cent.

Debt, which was nil at the [redacted] end, will rise [redacted]

The issue [redacted] by N.M. Rothschild.

Hemingway Props in the red midway

Hemingway Properties dropped from pre-tax profits of £702,077 into a loss of £2.15m for [redacted] first half of 1991. At the end of 1990 [redacted] were [redacted]

[redacted] in the [redacted] was a [redacted] (£295,075) exceptional charge relating [redacted] reorganisation following management changes. Turnover fell [redacted] (£3.51m).

Again there is no [redacted] dividend.

Mr Leonard Phillips, the chairman, said that the company was unlikely to be profit[redacted] before [redacted] year-end but losses [redacted] less than [redacted] now reported.

MCC sells US offshoot to Thomson for £56.5m

By Peggy Hollinger

MAXWELL Communications Corporation, [redacted] heavily-indebted publishing and media group, is selling [redacted] ing US [redacted] and [redacted] arm [redacted] Publishing for £56.5m in [redacted]

Proceeds from [redacted] sale [redacted] Profes[redacted] formerly known [redacted] Prentice Hall, will [redacted] to reduce [redacted] £1.35bn debt.

Mr [redacted] Maxwell, [redacted] chairman, [redacted] was [redacted] He [redacted] despite [redacted] depressed US [redacted]

MCC plans [redacted] disposals in [redacted] as part [redacted] US [redacted] to [redacted] shareholder value. [redacted] in [redacted] language school, Berlitz, [redacted] MCC's Collier encyclopaedia businesses.

The US operations – which include publishing house Macmillan – will be floated off, leaving a much smaller UK business.

US activities account [redacted] 70 per cent of the group's assets and [redacted] of operating profits. An MCC spokesman said the reference division had been a very small part of US interests.

MCC is committed to repaying its bankers $750m by October 1992. [redacted] recently the group would pay that tranche ahead of schedule. A further [redacted] is due to be repaid in October 1994.

Earlier [redacted] year, MCC [redacted] £446m through [redacted] Pergamon, the UK [redacted] publisher, to Dutch publishing group, Elsevier.

MCC acquired Prentice Hall, [redacted] publishes reference books for lawyers, [redacted] and human resource special[redacted] in 1989 for [redacted] In [redacted] year to March 31, the [redacted] an operating loss [redacted] *on turnover of* $54m.

Thomson Professional Publishing is a subsidiary of Thomson Corporation, the [redacted] publishing and travel group.

Williams in advanced talks on buying Rockwell arm

By Peggy Hollinger

WILLIAMS Holdings, the industrial conglomerate which [redacted] launched a hostile [redacted] bid for [redacted] Electronics, said yesterday [redacted] it [redacted] in advanced [redacted] on buying [redacted] protection arm of Rockwell, the California electronics and aerospace group.

The deal, [redacted] would be [redacted] and [redacted] in cash, [redacted] expected [redacted] be signed within the next two weeks. A company spokesman [redacted] Eye, which makes [redacted] for industrial boilers, [redacted] fit into Williams' existing [redacted] He [redacted] Fire Eye [redacted] in [redacted]

The acquisition [redacted] have a negligible [redacted] on turnover, the company said. Last year Fire Eye made profits of about £6m.

About [redacted] cent of Wil[redacted] in [redacted] US, and the [redacted] acquisition is part of [redacted] company's on-going strategy of expanding *share in that* country. "It [redacted] strong market place," the spokesman [redacted]

The [redacted] came [redacted] Racal Electronics maintained a firm silence on [redacted] hostile Williams bid. A spokesperson for Racal denied the [redacted] considering [redacted] management buyout [redacted] this stage. Speculation has centred on other possible [redacted] such [redacted] the [redacted] of Chubb, [redacted] business.

Williams [redacted] yesterday [redacted] it [redacted] considering increasing [redacted] £701m all-paper bid.

"We have put our offer on the table and it stands," the spokesman said. The ball was now in Racal's court, he added. Williams was not aware of any potential rivals for Racal.

The company has offered *three of its shares for 20 Racal* Electronics. News of the bid pushed Williams shares down 32½p to 336½p, making the offer worth 50.45p. Racal shares closed 11¼ higher on Friday at 56½p.

Sir Ernest Harrison, Racal chairman, is expected is expected to present [redacted] group's defence document within the next two weeks. The group demerged from its cellular telephones business, Vodaphone, just days before the Williams offer.

National Home Loans launches £125m securitised bond issue

By Simon London

NATIONAL Home Loans, the mortgage lender which faced a severe liquidity squeeze earlier this year following the collapse of BCCI, has launched a £125m securitised bond issue.

The issue is backed by a portfolio of residential mortgages and launched through a special-purpose subsidiary, [redacted] The [redacted] remov[redacted] mortgag[redacted] from NHL's balance sheet, freeing up capital and allowing it to lend more.

The bonds pay an [redacted] margin of 65 basis points over the [redacted] offered rate, [redacted] priced [redacted] count to face value. The real return to an investor is closer to 70 basis points over Libor, higher than any previous [redacted] gage-backed issue.

NHL estimates that it has to pay a premium of between three and five basis points following the liquidity squeeze, which was caused when depositors withdrew funds.

Banks involved in the deal said that the pricing was fair and that there were no special problems in selling the bonds. However, the rising number of defaults in the UK housing market has caused some investors to desert the sterling mortgage-backed bond market.

Investors are protected from defaults on the underlying mortgages by a separate tranche of subordinated notes soldalongside the main body of the issue. Any losses on the mortgage portfolio [redacted] absorbed by the holders of the subordinated *notes*. The issue has been rated double-A by Standard & Poor's, the US rating agency.

The deal frees around £20m of capital against which NHL can make new loans.

Around £60m *of old mort*gages from two earlier mortgage-backed bond issues – launched through the special purpose vehicles CMS 2 and CMS 3 – have been incorporated into this new deal and the old bonds have been retired.

NHL said that the old issues, launched in 1986 at the very start of the sterling mortgage-backed bond market, were no longer an efficient use of capital.

DIVIDENDS ANNOUNCED

	Current [redacted]	[redacted] payment	Corres - *ponding* dividend	Total for [redacted]	[redacted] last [redacted]
Breedon ....int	1.75	Oct 25	1.75	-	[redacted]
Dinkie Heel ....int	0.35	Dec 31	[redacted]	-	[redacted]
Independent News ...int	5§	[redacted]	4.5	-	[redacted]
[redacted] Exp ....fin	4.25	[redacted]	4.25	[redacted]	8.375
Liberty ....int	[redacted]	Nov 11	1.7	-	6.9
Macallan-G'livet ....int	0.25	Nov 8	0.2*	-	0.61*
Tilbury ....int	10.5	Oct 31	10.5	-	33
Usher (Frank) § ....fin	2.5	Oct 25	4	[redacted]	[redacted]

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. [redacted] stock. §Irish currency.

Kwik-Save sees cut in return on capital

Kwik-Save, Britain's leading discount food retailer, expects some erosion in its return on capital employed in the next two years as it continues to increase investment and responds to competition from *price-cutting chains.*

Mr Simon Moffatt, Kwik-Save's finance director, said that return on capital would fall from 41 per cent to about [redacted] per cent by [redacted] then stabilise.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
[redacted] Steel (Japan)	Unit of ICI (UK)	Speciality compounds	£58m	ICI reorganisation continues
Centre Reinsurance (Switzerland)	[redacted]	Insurance	£37m	CE Heath debt cut sale
Uni Storebrand (Norway)	Skandia (Sweden)	Insurance	£141m	Uni takes 11.4%
[redacted] (France)	Aachener [redacted] Munchener Beteiligung (Germany)	[redacted]	[redacted]	[redacted] stake [redacted]
TI Group (UK)	Cyclam (France)	Engin[redacted] seals	£14.3m	Agreed purchase
Mayne Nickless (Australia)	Interlink Express (UK)	[redacted]	[redacted]	Core operation expansion
Footwork (Japan)	David Morris International [redacted]	Jewellery	[redacted]	Footwork [redacted] majority [redacted]
Ricoh (Japan)	Gestetner Holdings (UK)	[redacted] equipment	£122.3m	[redacted] takes [redacted]
[redacted] (Japan)	Valent USA (US)	Agrochemicals	[redacted]	Buying out Chevron
IDV (UK)/ N[redacted] Whiskey & Distilling [redacted]	[redacted] IDV (JV)	Drinks	n/a	Distribution & marketing venture

Source: FT Mergers & Acquisitions International

Japanese companies were the most visibly active buyers internationally last week, writes Brian Bollen.

The reorganisation of Imperial [redacted] Industries continued *with the sale of its Pennsylvania-based speciality compounds* division to diversification-minded Kawasaki Steel.

Sumitomo Chemical's purchase of the half of Californian-based chemical company Valent USA owned by Chevron Chemical will enable it to proceed with expansion plans for Valent, and Chevron to concentrate on petrochemical products.

Telefonica's sale of a [redacted] per cent [redacted] in the Fujitsu Espana joint venture back to Fujitsu marks a key step in the Spanish [redacted]p's withdrawal from the [redacted] equipment industry.

The [redacted] relationship [redacted] office equipment groups [redacted] of Japan and [redacted] Gestetner Holdings [redacted] set to become closer after Ricoh's purchase of a 24.2 per cent stake.

Upmarket jewellery concern David Morris International said the opportunity to increase sales in Japan and elsewhere in the Far East will be considerably enhanced by the involvement of Osaka-listed Footwork International.

Nikka Whisky and Distilling is forming a Japanese distribution and [redacted]keting joint venture with the drinks arm of Grand Metropolitan, International Distillers and Vintners.

Australian transport group Mayne Nickless described its agreed [redacted] UK parcel delivery company Interlink [redacted] as a logical [redacted]xtension of [redacted] strategy of expanding core operations in Europe's distribution and delivery market.

COMPANIES AND FINANCE

Profits fall 5% to L220.4bn at Mediobanca

By Haig Simonian in Milan

NET PROFITS at Mediobanca, the Milan-based merchant bank, fell by 5 per cent to L220.4bn ($170.2m) in 1990-91, largely due to a L121bn surge in write-downs on securities holdings and transfers to special reserves for capital losses.

Overall, the bank made transfers and write-downs of L213.4bn, against L93.1bn the previous year. Despite the write-downs, the dividend is being held at L200 a share.

Gross of all transfers, earnings amounted to L433.8bn in 1990-91, against L325.2bn.

The bank revealed a 31 per cent rise in the value of its holdings in other companies.

It is believed the bank has been building up its position in Generali, Italy's leading insurer, in which it formerly had a stake of around 6 per cent.

Lending remained broadly stable at L12,881bn, despite this year's downturn in the Italian economy. Funding, which derives mainly from certificates of deposits and bond issues, rose by 6.5 per cent to L16,675bn.

The bank announced that Mr Cesare Romiti, the managing director of Fiat, would be joining its board following the conferment of a lifetime senatorship on Mr Gianni Agnelli, the Fiat chairman.

Under Italian law, Mr Agnelli, who has already stepped down from the board of Credito Italiano, must give up his position at any financial institutions where he holds a directorship as a result of his new political position.

● The Italian treasury has confirmed that the first batch of applications for repayment of withholding tax on government bonds for eligible non-residents had been processed.

Reports of the repayments under the accelerated procedure caused a surge in trading on the screen-based primary dealers system.

Saab and GM Swedish dealerships to merge

By Robert Taylor in Sweden

SAAB and General Motors are to merge their car dealer networks in Sweden. This will mean Saab and Opel vehicles will be sold through a restructured dealer organisation to begin operating next year.

The wholesale functions of the two companies will remain unchanged, and the individual character of both brand names will be maintained.

The move to integrate the [illegible] networks will lead to considerable rationalisation. Both Saab and GM have dealer networks with excess capacity in Sweden because of the dramatic slump in car sales there. In 1988, 344,000 vehicles were sold in Sweden. The forecast for this year suggests the number will be around 200,000.

Saab's network had a turnover last year of SKr4bn ($650m) – selling 19,500 Saab and GM US cars – while GM's Nordiska recorded a turnover of SKr1.7bn, on volume sales of 19,500.

Acec-UM slides BFr1.3bn into red

By David Gardner in Brussels

ACEC-UNION Minière, the non-ferrous metals business 82 per cent-owned by Société Générale de Belgique, turned in an interim net loss of BFr1.3bn ($37.4m), against a BFr3.9bn profit in the first half of last year.

Acec-UM blamed a weak dollar and falling zinc prices as a result of stagnant demand in the car and building industries for the sharp swing into the red.

Turnover for the six months slipped to BFr59.5bn from BFr63.9bn in the same period last [illegible]. For [illegible], Acec-UM made [illegible] net profits of BFr3.4bn, against BFr19.9bn for 1989.

The group, formed in 1989 by a merger between Union Minière and the ailing Acec, warned that "should the external economic factors stabilise at their current level, the current consolidated loss for the second half year is expected to be at least equal to that of the first half".

Although the dollar firmed slightly during the period, Acec-UM booked a net loss of BFr806m on the hedging position it took against a sharper decline in the US currency. The company also noted that the zinc price had fallen some 26 per cent during the period.

Acec-UM also faced a fall-off in dividends from minority shareholdings, and increased financial charges. These were caused mainly by [illegible] absorption of the [illegible] subsidiary Sibeka – an [illegible] BFr249m loss – and acquisi[illegible] of a 22.5 per cent stake in the privatised Cananea copper mine in Mexico.

Acec-UM said net borrowings rose from BFr18.3bn [illegible] BFr21.8bn over the six months.

● Sulzer Bros, the Swiss engineering firm, is buying Germany's Neef companies, which specialise in communication technology and building automation.

Neef Elektrotechnik and Neef Consult, based in Karlsruhe, will be integrated into the Sulzer Infra Group, which is active in plant and building services.

The Neef companies have more than 300 employees and expect sales in 1991 to total around DM80m ($45.9m).

Aircraft executive is named Pan Am chief

By Nikki Tait in New York

MR RUSSELL May, a senior executive at McDonnell Douglas, the US airframe maker, was yesterday appointed president and chief executive of the ongoing Pan Am airline company.

Pan Am, which is operating under bankruptcy court protection, recently announced plans to sell its remaining Transatlantic operations and east coast shuttle service to [illegible] Air Lines. However, the company will continue to operate as a much smaller carrier, focusing on its Latin American service.

Delta will have a stake of around 45 per cent in this "reorganised" Pan Am, and the carrier's creditors will own the remainder.

As anticipated, Mr Tom Plaskett, Mr Peter McHugh, and Mr Richard Francis – respectively, Pan Am's chairman, chief operating officer and [illegible] director – are all resigning during the autumn. This plan was approved on Friday, and the three top executives will [illegible] [illegible] $2m in severence payments.

The new chairman was president and chief operating officer of Pacific Southwest Airlines from 1985 to 1988, and previously head of marketing with Eastern Airlines.

Asda plans rights issue to raise £300m

ASDA, the UK supermarket group, is planning to raise around £300m through a rights issue, which it hopes to launch later this week, writes Robert Peston in London.

However, the share issue has been put in jeopardy by reports in the weekend press of its plans to raise the funds.

Asda's share price is likely to fall again today, having dropped 31 per cent last week to 70p, which will make it increasingly difficult to persuade investment institutions to underwrite the issue.

The shares are 45p above their par value. An issue of shares at less than par value presents technical difficulties. However, a floor for the price is provided by speculation that the company will face a takeover bid. At the end of the week, there were big purchases of Asda shares by the US investment bank, Goldman Sachs.

Asda's financial advisers, the merchant bank S. G. Warburg and the stockbrokers Cazenove, will decide today whether a rights issue is practicable.

Asda is under pressure to reduce its debt of £900m.

Unlike its bigger supermarket rivals, Asda's profits are being squeezed severely.

Eurotrack failure raises options doubts

OPTIONS on the FT-SE E[illegible] 100 index, which start trading on the London Traded Options Market (LTOM) today, are unlikely to provide the boost to trading activity that the struggling options exchange needs, writes Tracy Corrigan.

In late June, the London International Financial Futures Exchange (Liffe) launched a futures contract on the Eurotrack 100 index. [illegible] index [illegible] [illegible] 100 non-UK European stocks, [illegible] [illegible] designed [illegible] allow [illegible] to modify their exposure to Europe.

Average daily volume in the future, a paltry 44 contracts in July, slipped further in August to 10 contracts, as liquidity dried up.

Liffe and LTOM are due to join forces at the end of the year, and the Eurotrack futures and options represent the first joint product venture by the two exchanges in the lead-up to the merger.

Although Liffe claims there has been interest from UK fund managers, the poor liquidity of the contract has meant many orders have not been met.

"There's little trading business to take the other side of those orders," a trader said.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Experts review a 'primitive' set-up

THE UK government bond market has become [illegible] most primitive" government bond market in Europe, according [illegible] a representative of the French government bond market.

Representatives of the Bank of England, the gilt-edged market and other government bond markets are due to attend a forum in a few months to discuss whether there is a case for restructuring the gilt market to improve its attractions to investors, both foreign and domestic.

To be fair, [illegible] Bank has introduced improvements already. It has issued more of the 10 per cent Treasury stock due 2001 to provide a liquid 10-year benchmark gilt, following the example of Spain and Italy, where the [illegible] of 10-year government [illegible] has helped to attract foreign investors. The Bank has issued *short-dated gilts for swap purposes*, and is likely to issue a 25-30 year gilt – perhaps when yields have fallen further – to meet the demands of certain pension [illegible] insurance funds [illegible] long-dated [illegible]

[illegible] where [illegible] improvements [illegible]

■ The [illegible] of a repur[illegible] (or bond-lending) [illegible] in gilts. The [illegible] in the US – [illegible] borrow bonds [illegible] providing the [illegible] the bonds with the opportunity to enhance the returns on their bond portfolios.

However, with gilts, lenders and borrowers cannot simply match their requirements through a broker as they can for other government bonds. Instead, the bond-lender has to use a stock exchange money broker who in turn lends the stock to a gilt-edged market-maker (GEMM). Traders are [illegible] to improve liquidity by setting up a formal repo market in gilts.

■ The introduction of an auction calendar. Gilt-edged market makers remain divided over whether the Bank should follow the example of markets such as the [illegible] announce an auction calendar.

While some GEMMs believe it would be more convenient to know in advance when gilt auctions will be held, the Bank *is reluctant to limit its flexibility*. It prefers to be [illegible] to [illegible] auctions [illegible] taps when it [illegible] market conditions are favourable, [illegible] the government [illegible] money [illegible] cheaply [illegible] possible. It has, however, bowed to pressure to reduce the notice period before an auction from one month to 19 days. The next auction is [illegible] on September 25.

■ [illegible] foreign [illegible] to hold their [illegible] or Cedel, the two Eurobond clearing houses, which already deal with other government bonds. Some traders claim that Swiss investors, who find it convenient to hold their bonds in Euroclear or Cedel, are put off investing in gilts because they *cannot be held in that way.*

■ Simplify the reclamation of withholding tax.

Double taxation agreements *between the UK and a range of* other countries allows many foreign investors to reclaim the withholding [illegible] on their [illegible]pons. Otherwise, they can [illegible] dividends [illegible] by investing in certain Fotra (Free of Tax for Residents Abroad) stocks, or bearer bonds. The necessary form-filling is, in the words of one trader "a bureaucratic bore," but unlikely to deter foreigners from participating in the gilt market.

However, traders point out that European mutual funds which [illegible] on behalf of individuals must prove that the individual investors are non-resident in order to receive gilt coupons gross – an impossible task with the result that such funds either forego reclaiming the tax or avoid gilts.

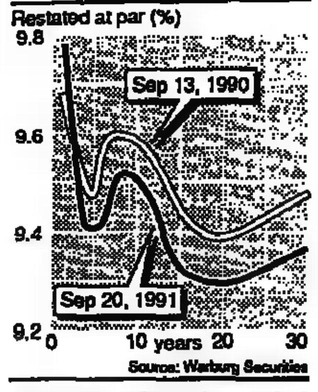
Foreigners have been aggressive buyers of gilts in the first six months of this year, purchasing an [illegible] worth, while domestic investors bought £960m. By contrast, in July, domestic investors bought £1.8bn while foreigners sold £328m.

Traders emphasise the importance of foreign investors in the UK government bond market, especially when [illegible] institutions' holdings in bonds are at an all-time low. In 1978, UK pension funds invested 29 per cent of their portfolios in UK fixed interest, compared with 4 per cent in 1990. However, fixed income analysts believe that as we enter a low-inflation era – thanks to membership of the exchange rate mechanism of the European Monetary System – UK institutions will steadily increase their weightings in bonds.

Sara Webb

UK gilts yields

Restated at par (%)



Source: Warburg Securities

SWEDISH BONDS

Yields reach low as long rally resumes

[illegible] bond yields reached a historic low last week, despite residual political uncertainty. Following [illegible] a week ago, *Mr Carl Bildt, the* [illegible] leader, [illegible] to try to form a [illegible] government. He will report [illegible] speaker on Tuesday.

The market [illegible] remained [illegible] a new government will be formed, most likely through a four-party, [illegible] a two-party, coalition.

Consequently, investors who had refrained from buying ahead of the election returned to the market last week. The yield on the 10-year Swedish government bond *fell* from 10.32 per [illegible] on Monday to [illegible] per [illegible] close. The yield spread of Swedish bonds relative to [illegible] bond market [illegible] its tightest level to date. The 10-year yield spread has fallen to 182 basis points, from 317 basis points last March.

The long rally in the Swedish bond market started in May, when the krona was linked to the Ecu. The move substantially reduced currency risk for other European investors, who began to switch out of other markets, such as the poorly-performing bund market. Although the link does not have the direct support of European central banks in the European Monetary System, Swedish politicians [illegible] rejected devaluation.

The switch was encouraged by Sweden's slide into recession. Sweden is currently experiencing negative economic growth. Inflation, which stands [illegible] per cent, is expected to fall; some traders are looking for an inflation rate of [illegible] per cent in February.

However some analysts are *starting to question how long* the bullish mood of the Swedish bond market can persist, and are advising clients to take profits. It is time to switch into another Ecu-linked currency, according to Mr Neil Rogers, a bond analyst at UBS Phillips & Drew. He suggests the Finnish market. Some dealers say the obvious switch is into Danish kroner bonds, where yields are just over 9 per cent, but inflation is just above 2 per cent.

Meanwhile, the Swedish *bond yield curve*, which became more inverted last week, could invert further. The market is awaiting SKr4bn of paper maturing in 1995 this week. Given the potential vulnerability of the market, dealers may be loath to take a lot of new paper on their books, and prices at that area of the *yield curve could come under* pressure, pushing up yields.

Last week, there were several attempts to break the psychologically important 10 per cent yield barrier in the Swedish market, before the 10-year yield was pushed just below that level.

Many traders, however, do not believe the market can hold below that level. Retail investors may well steer clear of yields which are no longer double-digit.

But while some believe the market has now overstretched itself, others say the next yield level target is 9¾ per cent.

Tracy Corrigan

US MONEY AND CREDIT

Nervous investors move longer

UNCERTAINTY about the strength of the US recovery and the Federal Reserve's recent cut in short-term interest rates led bond market *investors* to move toward longer-term Treasury securities last week.

The result [illegible] a slight steepening of the yield [illegible] with [illegible] spread between yields on seven- and 30-year paper now 52 basis points, and price gains concentrated in the long end of the market.

The yield on seven-year [illegible] was 7.37 per [illegible] on Friday, compared with [illegible] per cent a month ago. As investors shifted [illegible] the longer maturities the yield on the benchmark 30-year Treasury bond [illegible] at [illegible] cent, down from a level [illegible] 8.13 per [illegible] four [illegible]

The [illegible] lation remains whether or not the Fed will [illegible] its September 13 half-point reduction in the discount [illegible] and quarter-point [illegible] in [illegible] funds with *another* [illegible] in [illegible]

The main consideration continues to be how the Fed will react to the weak state of monetary growth – and especially to the M2 rate, which dropped by \$9.7bn in the week ended September 2 and rose by \$2.6bn in the [illegible] September 9, below the anticipated [illegible] [illegible].4bn.

Market watchers at James Capel believe there is limited further downside potential [illegible] US rates; they even go so far as to describe the [illegible] discount rate as "the low point in [illegible] current cycle". [illegible] shared by S. G. Warburg, which [illegible] the September 13 cut to be probably "the last ease in this cycle".

[illegible] views [illegible]ing, market sentiment [illegible] influenced late last [illegible] by a [illegible] report [illegible]ing [illegible] *in* [illegible] supply growth [illegible] induce the Fed [illegible] cut [illegible] once [illegible]. The knee-jerk [illegible] *that some investors* shifted funds to longer-term maturities.

Apart from [illegible] supply debate, there [illegible] little macro-economic information [illegible] inspire [illegible] data-driven Treasury [illegible] market, [illegible] attention shifted again to the frequently myopic debate over the relative strength or weakness of the recovery. The debate has data-hungry bond-traders trying to read long-term trends into every statistic that flickers on to their monitors, while pronouncements from Washington put the best gloss on the same numbers.

One year ago the most pessimistic observers began speaking of an extended 12 to 15 month recession, and warned there was no quick fix for the debt-laden US economy. At the same time, the Fed declined to acknowledge that a recession – now thought to have begun in July 1990 – was even under way.

Six months ago Mr Alan Greenspan, the Fed chairman, joined most Bush Administration politicians in the view that the recession would be short and shallow. Recovery was proclaimed as soon as it was decently possible, with a few slight upturns in housing and consumer spending figures seized upon as evidence that all would soon be well.

The pessimists – who have been more right than wrong – have insisted on the "double dip" thesis and warned that [illegible] remains far more sluggish than thought. Recent Fed [illegible] to sustain this argument.

As Smith Barney pointed out last week, the economic backdrop has been quite disarming in the July-September period. "We see no meaningful change in the economic backdrop in the near term," Smith Barney said, noting that consumer spending was still weak and everything pointed at a weak holiday season.

Put another way, it appears that cuts in *short-term interest* rates may not represent a panacea for the US economy, even if they take some pressure off the debt-servicing costs of corporate America. Wealthier Americans are losing interest income and middle class households are finding that the money market rate cuts have not been passed on to them in the form of lower borrowing rates, either at banks or from credit card companies.

Mr John Reed, the chairman of Citicorp, delivered another dose of reality on Friday when he said the depressed market in commercial real estate could last for at least two, and as much as the next five to seven years. Loan loss provisions and write-offs would continue to bedevil the balance sheets of banks and insurance companies for a long time to come, said the chairman of America's biggest bank.

The US economy is thus continuing to underperform, compared with expectations. The coming third-quarter corporate results season is likely to confirm this once again.

Alan Friedman

US MONEY MARKET RATES [illegible]

	Last Friday	1 week ago	[illegible] ago	12-month High	12-month [illegible]
Fed Funds (weekly average)	5.13	5.19	5.38	11.00	[illegible]
Three-month Treasury bills	5.33	5.29	5.52	7.81	5.29
Six-month Treasury bills	5.45	5.41	5.69	7.75	5.41
Three-month prime CDs	5.47	5.50	5.75	9.01	5.47
30-day Commercial Paper	5.40	5.40	5.65	9.95	5.40
[illegible] Commercial Paper	5.41	5.40	5.64	10.05	5.40

US BOND PRICES AND YIELDS [illegible]

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	104 3/8	+1/8	[illegible]	7.43	[illegible]
20-year Treasury	113 1/4	[illegible]	7.82	7.88	[illegible]
30-year Treasury	102 5/8	[illegible]	7.89	[illegible]	[illegible]

[illegible] (estimates).

Money supply: [illegible] the week ended September [illegible] M1 fell by \$0.4bn to\$866.7bn

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid	Offer	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ABN 9 1/8 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AETNA LIFE & CAS 7 3/4 16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 8 5/8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 9 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN EXPRESS 0 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN GENERAL 9 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN INTL 0 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASIAN DEV BANK 0 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIA 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIAN WHEAT 8 1/2 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SAS 10 1/8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SBAB 9 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEAGRAM CO 8 1/2 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEARS O/S FIN 0 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEARS O/S FIN 11 5/8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEARS ROEBUCK EURO 9 3/4 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 7 1/4 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 9 1/2 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STATE BK NSW 8 1/2 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STATE BK STH AUST 9 1/4 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STATOIL 7 5/8 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STH AUST GOVT FIN 8 3/4 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 4 5/8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHUJITSUYA 7 3/4 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
COUNCIL EUROPE 4 3/4 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5 1/2 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 5 3/4 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELEC DE FRANCE 7 1/4 06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND 5 3/8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GENERAL MOTORS 7 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN DEV BK 5 1/2 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOBE 6 3/8 01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the [illegible]. Amount issued is expressed in millions of currency units. FLOATING RATE [illegible] dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = Current coupon. [illegible] BONDS: US Dollars unless [illegible]. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on September 20

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150
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INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Bids raise hopes of increased activity

THE recent [redacted] of takeover bids in the UK has raised hopes of increased activity in the syndicated loans market, as bankers wonder *whether the* bidding companies will turn to the credit market to fund their acquisitions.

The £1.5bn bid by BTR, the industrial conglomerate, for Hawker Siddeley, the engineering group, announced on Friday could lead [redacted] a large syndicated loan.

BTR has offered sharehold[redacted] in Hawker Siddeley the choice of either cash [redacted] the combination of cash and BTR shares. According to BTR, full [redacted] of the [redacted] would involve a [redacted] payment by BTR [redacted] "about £578m".

Bankers [redacted] *if BTR's* [redacted] *successful, it* [redacted] likely [redacted] require [redacted] one- [redacted] two-[redacted] syndicated loan of [redacted] possibly [redacted] if BTR [redacted] to raise [redacted] bid. Barclays Bank, Crédit [redacted] and the Hongkong and Shanghai Banking Corporation [redacted] provide loan finance [redacted] BTR, and would be joint arrangers for [redacted] syndicated loan. Details of the financing are expected in the offer [redacted]ment [redacted] this week.

[redacted] for Hawker Siddeley [redacted] week which included a £351m recommended offer by Hanson for Beazer, [redacted] building [redacted] and [redacted] £701m bid by Williams, the industrial conglomerate, for Racal Electronics.

Hanson's bid halted the planned flotation of Beaz[redacted] UK-based housebuilding, contracting and property businesses, and no [redacted] pleased Beazer's bankers, which had been in negotiations with the company about its heavy borrowings.

The flotation [redacted] *expected* [redacted] raise about £500m, and Bea[redacted] had planned to [redacted] the proceeds to reduce [redacted] debts. Instead, Hanson will inherit Beazer's £1.2bn debt, thereby pushing its overall debt to nearly £9bn, against cash of £7.6bn. Hanson's advisers [redacted] that it will [redacted] in a much stronger position than [redacted] to negotiate new borrowing terms.

[redacted] question is, can the market expect to see more large [redacted] in [redacted] next [redacted] months and, if so, will the companies concerned turn to [redacted] syndicated [redacted] market to *finance their acquisitions?* While some bankers [redacted] could [redacted] a pick-up in volumes in the [redacted] market as a result, [redacted] doubtful, wondering [redacted] bidding companies [redacted] turn [redacted] stock market for financing.

The problem is [redacted] companies [redacted] staying [redacted] from the market [redacted] they find it difficult to assess whether pricing on syndicated loans is starting to come down now. Pricing – including the margin [redacted] the London [redacted] various fees – is two to three times higher than it was two years [redacted] Companies may [redacted] until pricing is on [redacted] down before borrowing.

Elsewhere, JA/Mont, [redacted] consumer tissue paper producer, has [redacted]warded the man[redacted] syndi[redacted] loan [redacted] Citicorp and Swiss Bank Corporation. Ecu [redacted] are becoming more common [redacted] the syndicated loans market, although [redacted] past the borrowers have tended [redacted] be Italian.

JA/Mont [redacted] joint venture between [redacted] River Corporation, the US [redacted] products and packaging group, and Montedison [redacted] Italy. It [redacted] second largest European producer of *consumer paper* [redacted] and hygiene products.

The six-year loan consists of an Ecu150m term loan facility and an Ecu150m revolving credit facility. The margin is 75 [redacted] poin[redacted] Libor with a 25 basis point commitment fee.

Sara Webb

EUROMARKET TURNOVER ($m)

Primary Market	[redacted]	Conv	FRN	[redacted]
US$	374.1	[redacted]	[redacted]	[redacted]
Prev	924.5	[redacted]	[redacted]	[redacted]
Other	3,059.4	140.9	298.2	[redacted]
Prev	738.6	0.0	302.5	9,182.8
Secondary Market				
US$	20,624.0	764.9	[redacted]	16,300.5
Prev	[redacted]	711.7	6,272.1	11,391.4
Other	31,212.4	899.1	2,894.0	71,918.2
Prev	29,224.7	906.7	3,005.5	97,646.8

	Cedel	Euroclear	Total
US$	17,023.2	34,079.4	53,102.6
Prev	19,496.9	32,588.0	52,084.9
[redacted]	43,177.6	83,943.5	127,120.9
	32,712.2	70,285.4	102,997.6

Week to September 19, 1991

Source: AIBD

EUROPEAN BONDS

Faithful [redacted] rewarded with rapid convergence

FOLLOWING [redacted] period during [redacted] early [redacted] when belief in European bond market [redacted]vergence [redacted] severely tested, the faithful have been rewarded.

Since [redacted] August high-yield *bond markets, such as* [redacted] Spain and Italy, have rallied strongly. [redacted] yields have resumed the downward path towards the levels of Germany, resuming [redacted] trend which [redacted] evident for the first five months of [redacted] year.

For example, Italian govern[redacted] bond yields have fallen by a full 50 [redacted] points in [redacted] past month. In Spain, the fall in yields [redacted] to 60 basis points. [redacted] government bond yields [redacted] by nearly [redacted] basis points at the 10-year maturity.

Over the [redacted] period, Ger[redacted] 10-year bund yields have [redacted] *by just* [redacted] points; hence convergence of [redacted] highest-yielding European markets [redacted] proceeding [redacted] heady [redacted] of [redacted] points per week.

Although [redacted] are specific reasons [redacted] bond [redacted] rallies in each country, one *unifying factor has been* [redacted] restored confidence [redacted] future of European monetary [redacted]

[redacted] plan for monetary union, unveiled [redacted] month, [redacted] some [redacted] *for* this renewed optimism. Unusually positive comments by Mr John Major, the [redacted] prime minister, and [redacted] Hans Tietmeyer, [redacted] deputy president of [redacted] Bundesbank, have raised expectations that [redacted] formula for monetary union can [redacted] agreed later this year at [redacted]tricht summit.

The Dutch plan is as yet [redacted]thing more than [redacted] "technical paper" – [redacted] "non-paper" in the language of the EC – and has yet [redacted] be approved by [redacted] country's cabinet, let alone formally presented [redacted] the [redacted]lands' [redacted] partners.

However, [redacted] *does* [redacted] much [redacted] kindle [redacted] enthusiasm for monetary [redacted] In particular, [redacted] plan [redacted] on [redacted] relevant [redacted]

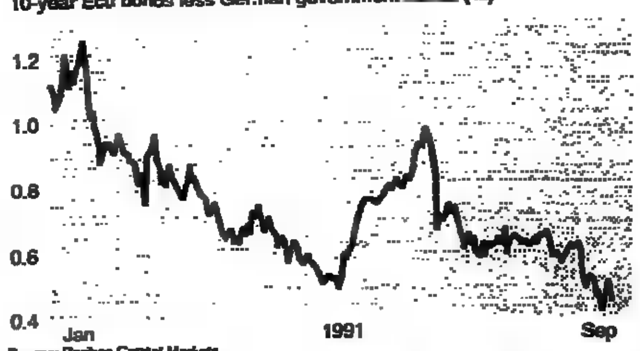
[redacted] progress towards monetary union [redacted] be through a "hardened" European currency unit. In [redacted] case the Ecu would [redacted] its characteristics [redacted] basket currency, composed of [redacted]ponent part from each [redacted] which [redacted] European monetary system.

However, it would not [redacted] allowed [redacted] devalue against other currencies in [redacted] system. [redacted] would be [redacted] strongest currency in Europe and, in theory, Ecu [redacted] should be the lowest in Europe – taking over the [redacted] anchor role within the EMS.

The implication [redacted] yield [redacted] Ecu-denominated bonds would become [redacted] low[redacted] in Europe. The yield on Ecu [redacted] already fallen [redacted] French [redacted] bonds, [redacted] yield spread [redacted] significantly. [redacted] yield spread of 10-year [redacted] bonds over 10-year bunds had closed to around 40 basis points.

Yield spread

10-year Ecu bonds less German government [redacted] (%)



Source: Paribas Capital Markets

A clear example came with Republic of Finland's Ecu500m 10-year bond issue, which was launched at a yield just 20 basis points more than that available on the borrower's D-Mark bonds. Quite independently of this issue, the view of researchers at Paribas is that 20 basis points is a fair yield spread for Ecu bonds over German government bunds, taking into account the risk of devaluation of Ecu currencies.

The Finland deal was by no means a raging success, launched into the tail end of [redacted] Ecu bond market rally and contributing to a sharp correction. [redacted] also demonstrated that confidence in the Ecu [redacted] can [redacted] fragile.

[redacted] problems [redacted] Dutch plan has raised the seri[redacted] possibility [redacted] "hardened" Ecu bond [redacted] will fall [redacted] than [redacted] government bonds before too long.

[redacted] monetary [redacted] could proceed [redacted] two speeds, despite opposition from countries likely to end up in the [redacted] lane, including Spain and Italy.

It is unclear why bond market investors should take heart from this proposal. Perhaps the biggest risk in buying lire, [redacted] or sterling bonds is that [redacted] currencies will be devalued within the exchange rate mechanism [redacted] the European monetary system.

So far all the governments have staked considerable political capital on maintaining current parities until the next stage of monetary integration. There [redacted] an argument that their defence will be less vigorous if it [redacted] that they are *in* [redacted] *slow lane* [redacted] two-speed Europe.

However, so far this line of thinking has been ignored by international in[redacted]. Most [redacted] preferred to focus on the alternative argument that the high-yielding coun[redacted] will redouble their efforts [redacted] control inflation and bring interest [redacted] down for fear of being left behind.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	[redacted] m.	Maturity	Av. life years	Coupon %	Price	[redacted] runner	[redacted] yield %
[redacted]							
[redacted] Zinc Co.(a)‡†	55	1995	[redacted]	[redacted]	100	Nikko Secs.	[redacted]
Comp.Vale do Rio Doce(c)†	200	1994	[redacted]	10	96.404	Caicorp Inv.Bank	11.778
Dai[redacted] K[redacted]ho Lease‡	170	1995	[redacted]	4½	100	Daiwa Europe	4.500
Han Yang Chemical(d)§†	55	[redacted]	15.167	3¼	100	Nikko [redacted]	3.250
AB Electrolux†	100	1996	[redacted]	8¼	101.095	Merrill Lynch	7.976
Ishihara Sangyo(h)‡†	120	[redacted]	4	4⅝	100	Nomura Int.	4.625
World Bank(e)†	1.5bn	[redacted]	5	7¼	99.897	CSFB	7.407
[redacted] Pub.Auth.(k)†	350	2001	[redacted]	8.45	[redacted]	Salomon	[redacted]
[redacted]							
Credit Local de Fra[redacted]	1bn	2001	10	zero	[redacted]	Paribas Cap.Mkts.	[redacted]
Republic of Finland†	500	2001	[redacted]	8⅞	99¼	JP Morgan [redacted]	[redacted]
Japan Highway Public Corp†	140	[redacted]	7	8⅞	101.178	Bk of Tokyo Cap.Mkts.	8.644
[redacted]erische Hypothekent	150	[redacted]	2	9¼	100.975	CSFB	8.698
[redacted] Baden-Wurttemberg†	[redacted]	[redacted]	3	[redacted]	[redacted]	SBC	[redacted]
[redacted] NV(j)†	75	1994	2⅔	9	101.175	SBC	[redacted]
STERLING							
N'wide.Anglia B.Society†	100	1998	7	[redacted]	50.945	Hambros [redacted]	10.114
Homer Finance (No.1)(l)‡†	[redacted]	[redacted]	*(l)*	[redacted]	100	CSFB	-
[redacted]							
P[redacted] of [redacted]†	[redacted]	1998	7	10	101.275	[redacted]	9.740
Hydro Quebec(e)†	1.1bn	2021	30	10½	99.485	Merrill Lynch	[redacted]
Kyushu [redacted] Power†	[redacted]	2001	[redacted]	10¼	[redacted]	Daiwa Europe	[redacted]
AUSTRALIAN [redacted]							
Commonwealth [redacted] Aust.†	100	2001	10	11	99¾	Deutsche Bk Cap.Mkts.	11.043
State Bk of NSW†	100	[redacted]	4	11	101½	Deutsche Bk Cap.Mkts.	10.521
Sth.Aust.Govt.Fin.Authority†	125	[redacted]	10	11¼	100⅛	Hambros Bank	11.229
D-MARKS							
Republic [redacted] South Africa†	[redacted]	1998	5	10½	100	Deutsche Bank	[redacted]
FRENCH FRANCS							
Caisse Cen.d'Coop.Econ.†	[redacted]	[redacted]	10	9⅛	99.27	CCF	9.240

[redacted]	Amount m.	[redacted]	Av. life years	Coupon %	[redacted]	[redacted] runner	[redacted] yield %
[redacted] Generale(i)‡†	300	1997	[redacted]	(i)	101⅝	[redacted]	-
SWISS FRANCS							
EIB(b)†	200	[redacted]	-	[redacted]	[redacted]	[redacted]	6.531
[redacted] Tokyo‡‡†	100	[redacted]	-	7	101½	IBJ (Schweiz)	6.638
City [redacted] Copenhagen‡‡†	90	[redacted]	-	7	101¼	Bank Leu	6.728
Nippon Signal‡‡‡†	80	1995	-	[redacted]	100	[redacted] SA	[redacted]
Toa Corp(f)‡‡‡	70	1995	-	[redacted]	100	[redacted]	5.000
Kyoritsu [redacted]	25	1995	-	[redacted]	100	Bank Julius Baer [redacted]	5.000
[redacted]							
N[redacted] NV†	[redacted]	1996	5	12	[redacted]	[redacted] Paolo [redacted]	[redacted]
DANISH KRONER							
Den [redacted]	[redacted]	[redacted]	4	[redacted]	101⅞	[redacted]	[redacted]
YEN							
Japan Air [redacted]	20bn	2002	10¼	[redacted]	101¾	[redacted]	6.653
Japan [redacted]	10bn	2001	9¼	[redacted]	101¾	[redacted] Europe	[redacted]
[redacted]	[redacted]	[redacted]	8¼	[redacted]	[redacted]	[redacted] Int.	[redacted]
Republic of [redacted]	50bn	2003	12	[redacted]	100	[redacted]	6.250
[redacted] of [redacted]	50bn	[redacted]	5	6¼	[redacted]	IBJ Int.	[redacted]
Onoda Cement†	10bn	1999	7¼	7	101¾	Nikko Secs.	6.746
LUXEMBOURG FRANCS							
Okobank†	1bn	[redacted]	7	9⅞	[redacted]	BIL	[redacted]
Essilor of America‡‡†	*800*	*1995*	*4*	9½	102[redacted]	BGL	8.524
Ford Motor Credit†	2.5bn	1994	3	9⅝	101[redacted]	Credit Europeen	8.696
[redacted] Int.Fin.NV†	[redacted]	[redacted]	7.167	9⅞	102⅛	Bque.Paribas (Lux)	[redacted]

‡‡Private placement. §Convertible. ‡With [redacted] warrants. †Floating rate note. ‡Variable rate notes. †Final terms. a) Exercise premium fixed at 2.65%. Non-callable. b) Fungible with exi[redacted] Fr400m deal launched in June. Non-callable. c) Put option October 1993 at 96.802%. Coupon payable [redacted] d) Callable 1/1/94 a[redacted]% declining 1% annually. [redacted] option 4/10/96 at 125% to yield 7½%, and 4/10/98 at 159% [redacted] 9½%. Conversion premium fixed at 10%. e) Global issue. Non-callable. f) [redacted] at 101½% declining ¼% semi-annually. g) [redacted] 3/10/93 [redacted] 101% declining ½% semi-annually. h) Exercise premium fixed [redacted] 2.5%. Non-callable. i) Coupon pays 9.84% for first year, [redacted] minus 2 x 3-month Pibor. Minimum coupon of 4%. j) Fungible [redacted] existing Ecu150m deal. [redacted] k) Yankee issue. Non-callable. l) [redacted] pays 85bp over 3-month Libor until 9/96, then 1% over 3-month Libor thereafter. Average Life - up to 3.8 years. Callable from 9/94 at par. Note: Yields are [redacted] on AIBD basis.

THE WEEK AHEAD

ECONOMICS

English-speaking world still looks for signs of recovery from recession

ECONOMISTS in the US and Britain will be scanning this week's data for more signs of recovery from recession, while in Germany and Japan the focus will be on inflation and interest rates.

In the UK, this morning's more upbeat monthly industrial trends inquiry from the Confederation of British Industry is likely to add fuel to the current election fever.

Later today, the UK current account and visible trade data for August will attract interest as the first such figures since the revisions published earlier this month in the Central Statistical Office's "Pink book".

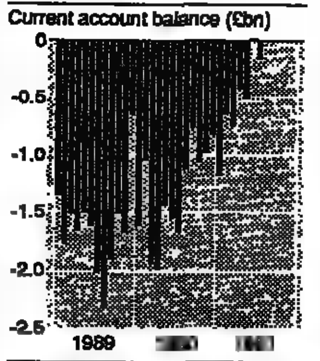
They will also be scrutinised closely for what they tell about UK competitiveness and the domestic economy. The slight widening of the deficits, expected by the markets, could reflect the impact of reviving domestic demand on imports.

In the US, however, there is little hope that tomorrow's Conference Board consumer confidence index, Wednesday's durable goods orders and Friday's income and consumption data will ease worries of a lacklustre recovery.

The week will also bring preliminary inflation data from

UK trade

Current account balance (£bn)



Japan and Germany, where the Bundesbank's policy making [redacted] of its regular fortnightly meetings on Thursday.

The Bundesbank is certain to stick to a tight monetary policy following [redacted] underlying inflation [redacted] strong. But [redacted] Bank [redacted] Japan [redacted] find itself coming under increased [redacted] official [redacted]

Events [redacted] statistics, [redacted] from [redacted] International, [redacted] financial [redacted], in brackets, include:

Today: UK, August current account [redacted] deficit), visible [redacted] (£700m deficit); second quarter [redacted] GDP (down 0.9 [redacted] cent). [redacted] August Treasury Budget ($47.3bn deficit). [redacted] ada, July retail [redacted] (up 0.4 [redacted] cent). Australia, August manufacturing production, July export price index.

Tomorrow: US, September consumer confidence index (77 per cent), [redacted] 11-20 [redacted] sal[redacted] (6m). France, August [redacted] balance (FFr3.5bn deficit). Japan, July leading diffusion index. Canada, July wholesale credit. Switzerland, Opec ministers [redacted] in Geneva.

[redacted] US, August durable [redacted] (down [redacted] per cent), [redacted] shipments, existing home [redacted] UK, August building society commitments (£3.9bn); second quarter cross [redacted] mergers and acquisitions; half yearly engineering [redacted] report. Japan, regular Bank of [redacted] conference.

Thursday: [redacted] quarter [redacted] GNP (down [redacted] per [redacted], GNP [redacted] (4.2 [redacted] cent), [redacted] profits (down [redacted] per cent); August export/import [redacted] indices; money figures [redacted] Japan, August [redacted] (up 4.7 [redacted] year).

Australia, August motor registrations [redacted] 2 [redacted] cent). Germany, Bundesbank council meets; European banking conference [redacted] Frankfurt with Bundesbank president Helmut [redacted] and [redacted] Fed president [redacted] Corrigan among speakers. UK, second quarter revised capital spend[redacted] and stockbuilding.

Friday: [redacted] August personal income (up [redacted] cent), [redacted] sonal consumption expenditure (flat), bank [redacted] commercial, industrial loans. Japan, September Tokyo consumer prices (up 3.5 per cent on year), August national CPI (up [redacted] per cent). UK, [redacted] quarter [redacted] income, spending and saving, industrial and [redacted] companies [redacted] Canada, August Industrial product prices (down 0.2 [redacted] cent). [redacted] tralia, July manufacturing input/output [redacted]

During the week: Germany, August M3 (up [redacted] per [redacted] fourth quarter base), import prices (down 0.2 [redacted] on month, [redacted] 1.5 per cent on year); September preliminary [redacted] living (up [redacted] per [redacted] month, [redacted] cent [redacted] year). France, August unemployment [redacted] per cent).

Peter Norman

UK COMPANIES

■ **TODAY**
[redacted] MEETINGS:
English & Caledonian Inv., [redacted] Oakley House, 125, West Regent [redacted] Glasgow, 10.00
Farepak, The Butchers' Hall, 87 [redacted] E.C., [redacted]
Scottish Power, [redacted] Exhibition [redacted] Centre, Finnieston Street, Glasgow, [redacted]
BOARD MEETINGS:
Finals:
[redacted]
Ardagh
Bryant
Courtyard [redacted]
[redacted] Brewing
GT Japan Inv. Tst.
Lloyd Thompson
MAI
Polypipe
Unigroup
Interims:
BHH
Billam (J.)
ECC
Edinburgh Fund Mngrs.
Fortnum [redacted]
[redacted] Whiting
Hibernian
[redacted] Tst.
Metalrax
PFG Hodgson Kenyon Intl.
Quarto
Rutland Trust
Schroders

■ **TOMORROW**
[redacted] MEETINGS:
[redacted] Hooper, [redacted] The Grove, Slough, [redacted]
Danae Inv. Trust, 99 [redacted] Street, E.C., 12.30
Harland Simon, [redacted] Hotel, [redacted] Gate [redacted] Keynes, [redacted]
Neepsend, [redacted] Hall, Sheffield, [redacted]
Park Food, Tranmere [redacted] Club, [redacted] Park, Penton [redacted] West, Birkenhead, [redacted]
Unitech, Howard [redacted] Temple Place, Strand, W.C., [redacted]
[redacted] (John D.), 26 Curzon [redacted] W., [redacted]
Zetters, Clerkenwell [redacted] Centre, [redacted] E.C., 11.00
BOARD MEETINGS:
Finals:
Brent [redacted]
[redacted]
Hays
[redacted] (A.& J.)
[redacted]
Interims:
Dunloe [redacted]
[redacted] Eng.
[redacted] Highland Tst.
Holt (Joseph)
[redacted] Inv. Tst.
Mayborn
Meggitt
Ross
Tarmac
Wolstenholme Rink

■ **WEDNESDAY SEPTEMBER 25**
[redacted] MEETINGS:
Bogod, [redacted] Street, E.C., 12.00
Ewart, 17 [redacted], 11.00
Forminster, The Prince Regent Hotel, [redacted] Bridge, [redacted] 12.30
Howden, The [redacted] Dean Park Htl, [redacted] Glasgow Road, [redacted]
Save [redacted] Prosper Return of Assets Inv. Trust, 1 Finsbury Avenue, E.C., [redacted]
[redacted] Speakman, Greyhound Hotel, Leigh, 11.00
TR [redacted] Inv. Trust, [redacted] 2 Puddle Dock, E.C., [redacted]
Williamson Tea, Painters' Hall, 9 Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Baillie Gifford Japan
[redacted]
Gent (S R)
Oceonics
Interims:
BSG Intl.
Boddington
[redacted]
Dagenham [redacted]
Dencora
EFM Income Trust
Enterprise Computer
Fired Earth Tiles
Geest
[redacted] Group
[redacted]
Spirax [redacted] Eng.
T & S [redacted]

■ **THURSDAY SEPTEMBER 26**
COMPANY MEETINGS:
[redacted] Arrow, 748 London Road, Hounslow, [redacted] 12.00
[redacted] Fowler, The Merchant Taylors' Hall, 30 Threadneedle [redacted] E.C., 11.00
Dixons, The Brewery, [redacted] E.C., 11.30
Douglas [redacted] M.), [redacted] Erdington, Birmingham, [redacted]
Electric & General Inv., 3, Finsbury Ave, E.C., [redacted]
Ellis [redacted] Everard, Glaziers Hall, [redacted] Montague [redacted] London Bridge, S.E., 12.00
Greycoat, Leconfield House, Curzon [redacted] W., 12.00
[redacted] Securities, [redacted] Westbury, Conduit Street, W., 11.00
[redacted] Invs., [redacted] Bishopsgate, E.C., 11.00
PowerGen, National Exhibition Centre, Birmingham, [redacted]
Quillgotti, Newby Road, Hazel Grove, Stockport, Cheshire, 11.30
[redacted] & Wight, 1, Hobart Place, S.W., [redacted]
BOARD MEETINGS:
Finals:
Barratt Devs.
Eleco
Frogmore [redacted]
Murray Ventures
Throgmorton Dual Tst.
Interims:
Antofagasta
Bilston & [redacted] Enamels
[redacted] (Horace)
Hay (Norman)
[redacted] Johnsen
[redacted]
Newarthill
Redland
Travis [redacted]
United Newspapers
[redacted]
Whatman
[redacted] of Leather
Yule [redacted]

■ [redacted] **SEPTEMBER 27**
[redacted] MEETINGS:
[redacted] Walker, [redacted] Royal, Regent [redacted] W., [redacted]
Dyson (J [redacted] J), Masonic Hall, Tapton Hall, [redacted] Sheffield, [redacted]
Ferranti Intl., Millbank Tower, Millbank, S.W., 10.00
Leigh Interests, Chamber of [redacted] 75, Harborne [redacted] Edgbaston, Birmingham, [redacted]
Property Security Inv. Trust, [redacted] Hall, [redacted] Bartholomew [redacted] E.C., [redacted]
[redacted] Time Control, Elton [redacted] Elton Way, Watford, 12.00
[redacted] (David S.), [redacted] Hotel, Buckingham [redacted] S.W., [redacted]
Waverley Cameron, Hilton National, [redacted] Edinburgh, 12.00
BOARD MEETINGS:
Finals:
[redacted]
Armour Trust
Bailey (Ben) [redacted]
China & [redacted] Inv.
Goodwin
[redacted]
Interims:
Aran E[redacted]
Brown [redacted]n
B[redacted]
[redacted]
[redacted] Independent TV
Clayform Props.
Evered Bardon
Microvitec
More O'Ferrall

Company meetings [redacted] annual general meetings [redacted]

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
[redacted] Inv. [redacted]
European [redacted] Tst. [redacted] (Reg.) [redacted]
[redacted] (Br.) DFL0.08
European Inv. [redacted] 11% Ln. (Reg.) [redacted] 5.5pc.
Kershaw (A.) [redacted]
[redacted] B Prf. 1.96875p
[redacted] Bldg. [redacted] Var. [redacted] $306.95
[redacted] Var. [redacted] £306.95
[redacted] Fltg. Rate [redacted] Cap. [redacted]
Rank Org. 10.25p
Ransom (Wm.) 1.169p
Sotheby's Inc. A (Reg.) [redacted]
Treasury [redacted] IL 1992 £1.3313

■ **TOMORROW**
Asian Dev. Bank $10\frac{1}{4}$% Ln. [redacted] 2009 5.125pc.
[redacted] 4.74p
Greenalls $11\frac{1}{2}$% [redacted]
Do. $11\frac{1}{2}$% Deb. 2014 (Exchanged) 2.5521pc.
[redacted] Hill $8\frac{1}{4}$% Deb. 89/94 4.125pc.
Intl. Bank for [redacted] Dev. $9\frac{1}{2}$% Ln. [redacted] 4.75pc.
Royal [redacted] Petroleum [redacted] (Br.) [redacted]
[redacted] (Reg.) DFL3.45
[redacted] $7\frac{1}{2}$% Uns. Ln. 2003/08 3.75pc.
Treasury $2\frac{1}{2}$% IL 2001 £2.0791

■ **WEDNESDAY SEPTEMBER 25**
[redacted] Brit. [redacted] $7\frac{1}{2}$% Uns. Ln. 87/2002 3.75pc.
Do. $5\frac{1}{2}$% [redacted] Ln. 87/2002 2.75pc.
Brit. [redacted] $12\frac{1}{2}$% Bds. [redacted] 6.25pc.
Do. [redacted] $12\frac{1}{2}$% [redacted] 2016 6.25pc.
Chapman [redacted] $8\frac{1}{2}$% [redacted] Mtg. Deb. 93/98 4.25pc.
Forminster 8.275p
[redacted] Fields Property 18cts.
[redacted] Fields of S. A. [redacted]
HIH [redacted] $7\frac{1}{2}$% Cnv. Cap. Bds. 2006 3.75pc.
Halliburton 25cts.
Hercules 56cts.
[redacted] $7\frac{1}{4}$% [redacted] 3.625pc.
Lonrho [redacted] Mtg. [redacted] 4.5pc.
M & [redacted] Commodity [redacted] Gen. Fd. 2.3p
Murray [redacted] Tst. [redacted]
NEC Corp. [redacted] 3.575pc.
[redacted] 1p
New [redacted]
[redacted] $11\frac{1}{2}$% [redacted] 5.75pc.
Oriflame Intl. [redacted] 8p
Do. (Br.) 8p
[redacted] 5.7p
[redacted] 91/ [redacted] 4pc.
TSB [redacted] Fd. Ptg. [redacted] Prf B 0.8417p
Treasury [redacted] 4pc.
Vogelstruisbult Metal [redacted]

■ **THURSDAY SEPTEMBER 26**
Bogod [redacted]
Do. A 0.44p
Bradstock [redacted]
[redacted]
Exchequer $12\frac{1}{4}$% [redacted] 6.125pc.
Jersey [redacted] Tst. 1.875p
Treasury $13\frac{1}{2}$% 2004/08 6.75pc.
[redacted] $10\frac{3}{4}$% Deb. 2019 5.375pc.
Do. $9\frac{7}{8}$% [redacted] 2015 [redacted]
Do. $11\frac{3}{4}$% Deb. 2010 5.875pc.

■ **FRIDAY SEPTEMBER 27**
American Cynamid 37.5cts.
Anglia Bldg. [redacted] Fltg. [redacted] Nts. [redacted]
[redacted] 1p
[redacted]
[redacted] 2.25p
Brit. [redacted] 13% Nts. [redacted] 6.5pc.
[redacted] Inv. Tst. [redacted]
[redacted]
[redacted] (UK) Fltg. [redacted] £293.01
Electric [redacted] Inv. 1.5p
Evode 1.78p
Grafton [redacted]
[redacted] Simon [redacted]
Hill [redacted] Smith 2.1p
[redacted] Distillers [redacted]
Isle of Man Steam Pkt. [redacted]
[redacted] Docks [redacted] $6\frac{3}{4}$% Red. Deb. 96/99 3.375pc.
National & [redacted] Bldg. Soc. Fltg. Rate [redacted]
[redacted]
North [redacted]
Nu-Swift 10p
[redacted] Inv. Corp. 11p
[redacted] Hldgs. 4.2p
Radius [redacted]
[redacted] Cap. [redacted] Inc. Tst. 1.4p
[redacted] Bank Fltg. Rate [redacted] Ln. Ptpn. Cert. 2000 $166.43
Securicor 0.616p
Do. A NV [redacted]
Do. [redacted] Ptg. Prf. 16.45p
Security [redacted] 1.291p
TR [redacted] Co's Inv. Tst. 2.2p
[redacted] 4.1p

■ **SATURDAY SEPTEMBER 28**
Shell Trans. [redacted] Trading $5\frac{1}{2}$% [redacted] Prf. 1.925p

■ **SUNDAY SEPTEMBER 29**
[redacted] Corp. $12\frac{7}{8}$% Gtd. Ln. [redacted] 2002 6.4375pc.
Metropolitan Water Chelsea [redacted] $2\frac{3}{4}$% Deb. 1897 1.375pc
Tendring H[redacted] Waterworks $4\frac{1}{2}$% Red. Deb. 2.25pc.

RESULTS DUE

More gloom is expected from construction and materials sector

MORE very gloomy news is expected from the [redacted] and building materials [redacted] week, coming [redacted] on [redacted] heels of the depressing results and outlook presented [redacted] Thursday by RMC, the world's [redacted] producer.

Tarmac, the Wolverhampton-based group, will be the centre of attention when it reports tomorrow.

Its involvement in materials and construction in the US and UK "is just a nightmare," said one analyst.

Forecasts for its interim pre-tax profits to June run from around £35m down, against £97.8m a year ago.

Its comments on the current half will be closely monitored as will its high gearing and thin interest cover.

Heavy involvement in poor US construction markets such as Virginia and Florida and UK house building are just two of its weak areas.

Interim [redacted] of Ibstock Johnsen, [redacted] brick and [redacted] maker, will be just just as battered on Thursday. Forecasts range from a small profit to a loss against £22.2m pre-tax profit a year earlier.

Redland, also reporting on Thursday, should be somewhat more encouraging. Underpinned by its foreign markets, particularly Germany, [redacted] likely to report interim pre-tax prof[redacted] around £75m (£108m).

The reporting [redacted] something [redacted] FT-SE [redacted] stocks [redacted] thin on [redacted] ground, [redacted] raft [redacted] medium and small companies [redacted] producing their [redacted]

Among notable companies [redacted] for are PFG Hodgson Kenyon International, the funeral directors, today, Hays, the business services group, tomorrow, and Boddington Group, the brewer which narrowly failed in its bid earlier this year for Devenish, on Wednesday.

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE · JAPAN

[illegible]

Price data supplied by Telekurs.

CANADA

TORONTO

4:00 pm prices September 20

MONTREAL

4:00 pm prices September 20

[illegible]

INDICES

NEW YORK · STANDARD AND POOR'S · NYSE Composite · Amex Mkt. Value · NASDAQ Composite · NEW YORK ACTIVE STOCKS · TRADING ACTIVITY · CANADA TORONTO

[illegible]

NYSE All [illegible] Standard and Poor's – 10; and Toronto Indices based [illegible] and Montreal Portfolio 4/1/ [illegible] Utilities, Financial and Transportation. [illegible]

*Saturday September 14: Taiwan Weighted Price: 4534.26 Korea Comp Ex. 688.71 [illegible]

Base values of all indices are 100 except: BEL20, HEX General, ISEQ [illegible] and DAX – [illegible] JSE [illegible] – 264.3 and Australia All Ordinary and Mining – 500; [illegible]

TOKYO - Most Active Stocks

[illegible] September [illegible]

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Dainippon Ink	28.8	939	-3	Mitsubishi Heavy	6.1	743	+4
Meiji Seika	16.6	1,310	-70	Japan Airlines	5.8	1,260	+10
Nippon Steel	7.8	412	-7	Clarion	4.8	1,300	-200
Cosmo Oil	7.2	895	-5	NKK	4.5	398	-8
Kurabo Ind.	6.2	960	-10	Osaka Gas	4.4	587	+7

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT City[illegible] call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other [illegible]. To [illegible] your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the [illegible]stance of Lautro [illegible]

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

85 Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	Yield Gross	City-line
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	108.5	114.3	-	41924
Pension Managed Fd	107.8	113.5	-	41926
Life Deposit Fd	109.5	115.2	-	41923
Pension Deposit Fd	115.6	121.7	-	41925
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	114.7	120.8	-	47150
Managed Growth	140.3	147.7	-	47151
Managed Opportunity	140.5	147.9	-	47152
NFMC Target Financial	106.5	112.2	-	47153
Pension Funds				
Managed Cautionary	125.3	131.9	-	47154
Managed Growth	148.4	156.3	-	47155
Managed Opportunity	140.7	148.2	-	47156
NFMC Target Mngd Pen	1570.1	1652.8	-	47157
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed	167.3	176.2	-	43142
UK Equity	179.7	189.2	-	43135
Overseas Equity	131.5	138.5	-	43136
Fixed Interest	153.1	161.2	-	43137
Property	135.9	143.1	-	43138
Index Linked	150.6	158.6	-	43139
Deposit	161.4	169.9	-	43140
With Profits (B)	132.1	139.1	-	44128
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	359.9	378.9	-	43163
UK Equity	457.6	481.7	-	43164
Overseas Eq	347.7	366.1	-	43165
American	288.3	303.5	-	43166

	Bid Price	Offer Price	Yield Gross	City-line
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	232.2	245.0	-	43411
UK Fixed Int Acc	186.2	196.5	-	43412
Intl Equities Acc	175.2	184.9	-	43413
UK Managed Acc	177.0	186.7	-	43414
Property Acc	224.2	236.6	-	43415
Money Acc	131.5	138.8	-	43416
Special Market Acc	147.1	155.2	-	43417
Japan Equity Acc	99.7	105.2	-	46760
North American Acc	105.2	111.0	-	43419
Pacific Acc	92.4	97.5	-	43420
Technology Acc	121.4	128.1	-	43421
Nat Resources Acc	52.8	55.7	-	43422
European Acc	102.1	107.8	-	43424
Residential Prop Acc	96.4	101.[illegible]	-	43425
Swiss Equities Acc	33.8	[illegible]	-	43426
Hong Kong Acc	66.6	[illegible]	-	43427
UK High Inc Eq Acc	76.0	[illegible]	-	43428
Int Fixed Interest Acc	59.8	[illegible]	-	46406
Intl Managed Acc	56.7	[illegible]	-	46407
HIP Managed Acc	118.7	[illegible]	-	46751
HIP Managed II Acc	103.1	[illegible]	-	41928
HIP Managed III Acc	110.1	[illegible]	-	45891
Total Investment Bond				
UK Equity Initial		157.7	-	43429
UK Fixed Int Initial		126.7	-	43430
Intl Equities Initial		118.4	-	43431
UK Managed Initial		120.4	-	43432
Property Initial		153.6	-	43433
Money Initial		89.9	-	43434
Special Market Initial		114.3	-	43435
Japan Equity Initial		77.3	-	46762
North American Initial		81.6	-	43437
Pacific Initial		71.6	-	43438
Technology Initial		94.2	-	43439
Nat Resources Initial		40.9	-	43440
European Initial		91.5	-	43442
Residential Prop Init		92.0	-	43443
Swiss Equities Initial		32.3	-	43444
Hong Kong Initial		63.6	-	43445

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Baring International Fd Mgrs (Ireland) Ltd

Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Asset Global Funds Ltd (1200)

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Leopold Joseph Fund Mgrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life (IoM) Ltd

Unibank Fund Ltd

ISLE OF MAN (REGULATED)(**)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgrs Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Global Funds Limited

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International

Brown Shipley Fund Mgmt (CI) Ltd

John Govett (Channel Islands) Ltd (1000)F

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd (1400)F

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank "Citifunds"

EBC Trust Company (Jersey) Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Management (Jersey) Ltd

John Govett Management (Jersey) Ltd

Holborn Fund Management (Jersey) Ltd

INVESCO MIM International Limited

Morgan Grenfell Funds Mgmt (Jersey) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Selection Fd Ltd

TSB Trust Funds (CI)

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (a)

Aetna Intl Umbrella Fund

Barclays Intl Funds (Luxembourg) (1400)

CMI Asset Management (Luxembourg) SA (u)

Commercial Union Luxembourg SA (u)

Dresdnerbank Asset Mngmt SA (u)

EquiFund-Wright Natl Eqty Fd (u)

Fidelity Funds (u)

Fleming Group (u)

Gartmore Indosuez Funds

Gartmore Luxembourg SA (u)

Henderson Management SA (u)

Hill Samuel Inv Services Intl SA (u)

Hypo Foreign & Colonial Port Fd Sicav(a)

INVESCO MIM International Limited (u)

Kleinwort Benson Select Fund (u)

Latin American Management Co Ltd (u)

Liberty ALL-STAR Pfolio-Eqty Fd(u)

Lloyds Bank Luxembourg

Midland Internatl Circuit Fund SICAV(u)

Morgan Grenfell UT Mgrs/Deutsche Bk (u)

Nomura Global Fund (u)

Norwich Union Intl Portfolio (u)

Sequoia Group (Luxembourg)

Schroder International Selection Fd (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy SICAV

Touche Remnant (Guernsey) Ltd (u)

Tyndall Global Fund SICAV

S.G. Warburg Asset Mngmt Lux SA (u)

Wardley Investment Services (Lux) SA (u)

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Atlantis Sicav

Banque Paribas Luxembourg

Cortexa International (u)

Credit Commercial de France

Credit Suisse

Daiwa Japan Gen Fund

Dean Witter World Wide Invest. Tst. SA

Dresdnerbank Asset Management SA (u)

Espirito Santo Investment Mngmt (SICAV)

Europe Value Fund (a)

Fidelity Intl Inv Mngt (Luxembourg)

Fleming Group

Gartmore Luxembourg S.A.

Kleinwort Benson Japanese Warrant Fund

Lloyds Bank Luxembourg

Merrill Lynch Asset Management

Morgan Stanley Sicav

Nikko Bank (Luxembourg) S.A.

Nomura Asian Investment Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Rosenberg US Japan Mngmt Co SA (u)

Target International Fountain Fund

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Baring International Fund Managers

Banque Paribas

BEA Associates

Buckmaster Management Co Ltd

Connaught Investments Ltd

Credit Lyonnais Intl Asset Mngmt (HK) Ltd

Daiwa Intl Capital Management (H.K.) Ltd

DWS Deutsche Ges. F. Wertpapiersp

Emerging Markets Management

Europe 1992

Fidelity Investment (CI) Ltd

First Mexico Income Fund

Formosa Fund

Frankfurt Trust Investment-GmbH

Free World Fund

The French Prestige Fund

Frobisher Fund Limited

GT Chile Growth Fund Ltd

GT Management Plc

GW Investment Mngmt Ltd

Gartmore Investment Ltd

Govett Management Ltd

Guinness Flight Fund Managers Ltd

Hill Samuel Investment Services Intl Co

Indosuez Asia Invest Services Ltd

Jardine Fleming Unit Trusts Ltd

Kestrel Management Ltd

Lehman Brothers Sports Growth Fund

Lloyds Bank Geneva Syndicat

London & Bishopsgate International NV

Malaysia Capital Fund Ltd

Malaysian Smaller Co's Fd

Maverick International Fund

Meridian Funds

Mitsubishi Finance International Ltd

Morgan Stanley Japanese Warrant Fund

NM Financial Mngt Intl Co Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Optima Fund Management

Orbitex Bahamas Ltd

PAM Futures Trading (Cayman) Ltd

Pictet

Pierson Heldring & Pierson

Putnam International Advisers Ltd

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Royal Trust North American Bond Fd

Schroder Investment Management Limited

Scimitar Australia Fund

Sequoia Securities (Bermuda) Ltd

Sterling Investment Management (Bermuda) Ltd

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Intl Fund Ltd

Thornton Investment Management Ltd

Tokyo Pacific Holdings NV

Tudor BVI Futures Ltd

Tyndall International (Bermuda) Ltd

Wardley Investment Services Ltd

Wellington Fd Mngrs (Bermuda) Ltd

Wells Fargo U.S. IT Fund

MANAGED FUNDS NOTES

هكذا منه التصل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Economic worries undermine dollar

THE US dollar made another attempt last week to break out of the range it has been trapped in since the spring. The reasons for the dollar's strength during February and March were hopes that the US would swiftly move out of recession.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

But each advance appears to be weaker than the previous one as American economic reports indicate that only a sluggish recovery is underway.

Behind the dollar's recent strength has been a heightening of international tension, with peace attempts failing in Yugoslavia and worries about the health of Mr [illegible] Yeltsin coming [illegible] fore.

Events in E[illegible] Europe are likely to provide only temporary relief [illegible] was the case with the dollar's rise during the attempted coup in the Soviet Union. [illegible] greater significance will be the growing body of [illegible] which suggests that a timid recovery [illegible] taking place in the US.

This is spurring the Federal Reserve to loosen monetary policy and further cuts in [illegible] are likely later in the month if data [illegible] September show no improvement. But [illegible] only serves to further weaken the [illegible].

This [illegible] market's [illegible] is for August and most analysts doubt whether it will [illegible] a boost to the dollar. In particular, the durable goods fi[illegible]d to disappoint hopes [illegible] consumers will lead the US out of recession.

July's monthly increase of 11.2 [illegible] cent, [illegible] prompted talk of a strong recovery, will be followed by a fall of 5 per cent, according to analysts [illegible] Hoare Govett.

£ IN NEW YORK

Sep.20	Close	Previous Close
£ Spot	1.7298-1.7308	1.7295-1.7305
1 month	0.72-0.70pm	0.72-0.70pm
3 months	2.00-1.97pm	2.00-1.97pm
12 months	6.62-6.52pm	6.60-6.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Sep.20	Previous
8.30	am	91.0	90.8
9.00	am	91.0	90.8
10.00	am	91.1	90.9
11.00	am	91.1	90.9
Noon		91.0	90.9
1.00	pm	91.1	90.9
2.00	pm	91.1	90.9
3.00	pm	91.0	90.9
4.00	pm	91.0	91.0

CURRENCY MOVEMENTS

Sep 20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.5
U.S Dollar	65.1	-13.9
Canadian Dollar	106.3	+3.5
Austrian Schilling	109.1	+11.6
Belgian Franc	110.7	-2.4
Danish Krone	108.4	+2.9
D-Mark	117.3	+24.7
Swiss Franc	109.5	+17.9
Dutch Guilder	113.5	+15.6
French Franc	102.1	-13.6
Lira	98.6	-19.9
Yen	138.5	+70.8

[illegible] Guaranty changes: [illegible] =100. [illegible] of England Index [illegible] Average [illegible] **Rates are for Sep.19

OTHER CURRENCIES

Sep 20	£	$
Argentina	17072.5 - 17114.6	9900.00 - 9910.00
Australia	2.1680 - 2.1700	1.2565 - 1.2570
Brazil	759.300 - 760.270	440.050 - 440.350
Finland	7.0850 - 7.1065	4.1190 - 4.1220
Greece	322.000 - 327.150	186.720 - 189.710
Hong Kong	13.3810 - 13.3940	7.7540 - 7.7560
[illegible]	[illegible]	[illegible]

* Selling rate

CURRENCY RATES

Sep 20	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.784841	0.700397
U.S Dollar	5.50	1.35699	[illegible]
Canadian $	8.78	1.54222	1.37050
Austrian Sch	7.50	16.0993	14.4222
Belgian [illegible]	8.00	47.1520	42.2348
Danish Krone	9.50	8.83808	7.91204
D-Mark	7.50	2.28775	[illegible]
Dutch Guilder	8.00	2.57747	[illegible]
French Franc	10¼	7.79387	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. [illegible]

CHICAGO

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Sep 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7215 - 1.7295	1.7270 - 1.7280	0.70-0.68cpm	4.79	1.97-1.94pm	4.53
Canada	1.9545 - 1.9630	1.9575 - 1.9585	0.34-0.25cpm	1.81	0.88-0.77pm	1.69
Netherlands	3.2775 - 3.3040	3.2775 - 3.2875	[illegible]cpm	1.14	[illegible]pm	0.84
Belgium	60.00 - 60.50	60.05 - 60.15	11-3cpm	1.40	27-8pm	1.16
Denmark	11.2455 - 11.3220	11.2700 - 11.2800	1¼-⅝orepm	0.80	1½-½pm	0.35
Ireland	1.0910 - 1.0985	1.0925 - 1.0935	0.05-parcpm	0.27	0.13-0.03pm	0.29
Germany	2.9125 - 2.9275	2.9125 - 2.9175	[illegible]pfpm	1.29	[illegible]pm	0.86
Portugal	249.80 - 251.70	249.85 - 250.85	43-70cdis	-2.71	190-262dis	-3.61
Spain	182.95 - 184.05	183.45 - 183.75	22-33cdis	-1.80	88-105dis	-2.10
Italy	2179.50 - 2192.85	2179.50 - 2180.50	1-2liredis	-0.83	6-8dis	-1.28
Norway	11.3970 - 11.4755	11.4250 - 11.4350	[illegible]oredis	-0.52	1¼-¼pm	0.26
France	9.9200 - 9.9880	9.9200 - 9.9300	1¼-⅞cpm	1.21	2-1¼pm	0.76
Sweden	10.6105 - 10.6825	10.6350 - 10.6450	½dis-¼orepm	-0.21	¼-1¼dis	-0.23
Japan	231.50 - 232.75	231.50 - 232.50	[illegible]ypm	3.56	2¼-2pm	3.56
Austria	20.51 - 20.63	20.51 - 20.54	2½-1¼gropm	1.10	4½-2pm	0.63
Switzerland	2.5400 - 2.5590	2.5400 - 2.5500	[illegible]cpm	2.36	1½-1¼pm	1.96
Ecu	1.4240 - 1.4330	1.4240 - 1.4250	0.09-0.04cpm	0.55	0.11-0.04pm	0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.55-3.50cpm. 12 Month 6.48-6.38cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7215 - 1.7295	1.7270 - 1.7280	0.70-0.68cpm	4.79	1.97-1.94pm	4.53
Ireland†	1.5725 - 1.5820	1.5780 - 1.5790	0.60-0.55cpm	4.37	1.73-1.63pm	4.26
Canada	1.1345 - 1.1355	1.1345 - 1.1355	0.27-0.33cdis	-3.17	0.80-0.84dis	-2.89
Netherlands	1.8995 - 1.9170	1.8995 - 1.9005	0.57-0.60cdis	-3.69	1.78-1.82dis	-3.79
Belgium	34.75 - 35.00	34.75 - 34.85	9.550-11.50cdis	-3.63	30.50-34.50dis	-3.74
Denmark	6.5250 - 6.5555	6.5250 - 6.5300	2.10-2.40oredis	-4.14	6.80-7.40dis	-4.35
Germany	1.6860 - 1.6990	1.6865 - 1.6875	0.51-0.52pfdis	-3.66	1.60-1.63dis	-3.83
Portugal	144.[illegible] - 145.65	145.00 - 145.10	85-95cdis	-7.45	290-310dis	-8.27
Spain	106.[illegible] - 106.65	106.25 - [illegible]	57-63cdis	-6.77	174-182dis	-6.70
Italy	1261.[illegible]	1261.75 - [illegible]	5.80-6.30liredis	-5.75	18.00-19.00dis	-5.86
Norway	6.6115 - [illegible]	6.6150 - [illegible]	2.80-3.10oredis	-5.36	8.35-8.96dis	-5.23
France	5.7425 - [illegible]	5.7425 - 5.7475	1.76-1.81cdis	-3.73	5.68-5.78dis	-3.99
Sweden	6.1425 - 6.1885	6.1575 - 6.1625	2.25-2.50oredis	-4.63	7.10-7.55dis	-4.76
Japan	134.25 - 134.95	134.35 - 134.45	0.15-0.16ydis	-1.38	0.32-0.33dis	-0.97
Austria	11.8900 - 11.9480	11.9200 - 11.9250	3.60-4.00grodis	-3.82	11.20-12.40dis	-3.96
Switzerland	[illegible] - 1.4830	1.4725 - [illegible]	0.31-0.33cdis	-2.61	0.92-0.98dis	-2.58
Ecu	[illegible] - 1.2145	1.2135 - [illegible]	0.45-0.42cpm	4.30	1.34-1.28pm	4.32

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

[illegible]	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	[illegible]
£	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.958	[illegible]	1.425
$	0.579	1	[illegible]	[illegible]	[illegible]	1.473	[illegible]	[illegible]	[illegible]	[illegible]	0.825
DM	[illegible]	[illegible]	1	[illegible]	[illegible]	0.873	1.126	747.9	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.15	9397	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	1.741	[illegible]	[illegible]	10.	[illegible]	[illegible]	2196	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	91.16	[illegible]	1	1.290	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	70.67	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	0.434
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.167	[illegible]	0.898	[illegible]	[illegible]
C$	0.511	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.677	1113	1	30.69	0.728
B Fr.	1.664	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.	2.371
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.374	[illegible]	[illegible]	1

Yen per 1,000: French Fr. per 10: Lira per [illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO			PARIS		
One month Bills	6⅝	-⅛	Intervention Rate	9¼	Unch'd
Three month Bills	6½	-⅛	One mth. Interbank	9⅜	+⅛
			Three month	9¾	+1/16
[illegible]			MILAN		
One month	9⅛	+⅛	[illegible]	11⅞	-⅛
Three month	9¼	Unch'd	Three month	11⅞	-⅛
AMSTERDAM			DUBLIN		
[illegible] month	9.14	Unch'd	One month	9⅞	+⅛
Three month	9.245	-0.010	Three month	10⅛	+⅛

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County [illegible] Mackenzie in conjunction with the Institute of [illegible] and the Faculty of [illegible]

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. [illegible] Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 13	1991 High	1991 Low	Since Compilation High	Since Compilation Low
[illegible]	87.72	87.66	87.94	87.38	87.44	87.48	87.94	82.17	127.4	49.18
Fixed Interest	96.79	96.80	96.99	96.63	96.07	96.07	96.99	90.59	105.4	50.53
Ordinary	2038.8	2011.3	2007.1	2037.9	2051.0	2067.8	[illegible]	1606.3	2108.3	49.4
Gold Mines	159.2	161.6	159.2	155.6	156.0	154.4	222.8	127.0	734.7	43.5
FT [illegible] All-Share	1258.72	1253.48	1252.69	1257.00	1261.32	1269.19	[illegible]	987.46	1284.07	61.92
FT-SE [illegible]	2600.3	2589.7	2583.6	2594.4	2606.0	2625.8	2679.6	2054.8	2679.6	986.9
FT-SE [illegible] 100	1114.51	1113.95	1111.91	1115.57	1111.95	1116.74	[illegible]	900.45	1165.54	900.45
FT-SE Eurotrack 200	1174.90	1171.26	1170.39	1174.54	1173.55	1183.12	[illegible]	936.62	1198.60	936.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five [illegible])

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,703	Treas 10pc 2003	103[illegible]	0.5	2.8	8 Mar 8 Sep	1281
1,620	Treas. 11½pc 2001-04	110[illegible]	0.3	13.8	19Sep 19Mar	1290
443	Funding 3½pc '99-04	62[illegible]	0.6	7.6	14Jan 14Jul	1274
1,512	Conversion 9½pc 2004	100[illegible]	0.6	18.9	25 Apr 25 Oct	1246
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1991: 130.2 and for August 1991: 134.1.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	[illegible]	0.9	1.12	4 Jan 4 Jun	–
100	Asian Dev Bk 10¼pcLn2009	[illegible]	0.9	28.3	24Mar 24Sep	–
75	[illegible]-Am Dev Bk 12½pc 2003	115[illegible]	0.4	7.12	8Jan 8Jul	–
175	[illegible] 9¼pcLn[illegible]	97[illegible]	1.0	13.10	15 May 15 Nov	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building [illegible]

[illegible]

Public [illegible]

[illegible]

FOREIGN BONDS & RAILS

Amount £m	Stock	[illegible] £	Week % change	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	50	......	f7.00	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	50	......	f6.00	1.2	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	50	......	f4.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	55	......	f3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	133[illegible]	0.7	10.86	27.3	31May 30Nov	–

Continued on next page

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Nat Westminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd	11.5
Bank of Cyprus	10.5	First National Bank Plc	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● [illegible] Fleming & [illegible]	10.5	● Smith & Williamson Secs.	10.5
Bank of India	11	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk	10.5		

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LONDON SHARE SERVICE

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AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
13,142.8	Abbott Laboratories1	30½	-1.0	1.9	10.7	FeMyAuNv	1503
138.7	Allegheny & W 1c	267p	2.7	6.6	–	–	–
891.9	Amdahl 5c	805p	-1.3	0.7	31.1	NvMrJeAu	–
3,509.1	Amer. Cyanamid $5	37½	2.7	2.4	27.2	MrJeSeDe	–
7,107.7	Amer. Express 60c	15¼	1.9	3.6	1.7	FeMyAuNv	1594
24,280.8	American T. & T. $1	22⅛	-0.3	3.5	27.3	FeMyAuNv	1597
15,886.9	Ameritech $1	36⅛	0.7	5.[illegible]	[illegible]	FeMyAuNv	–
4,973.9	BankAmerica $1	23⅞	-4.0	3.[illegible]	[illegible]	FeMySeDe	1744
2,751.7	Bankers N.Y. $1	33⅞	0.9	8.5	27.9	ApJyOcJa	1745
11,688.5	Bell Atlantic $1	28⅛	-0.4	5.3	4.7	FeMyAuNv	–
14,655.9	BellSouth Corp	28	0.7	5.6	5.4	FeMyAuNv	–
780.7	Bethlehem Steel $8	10¼	....	2.3	6.2	MrJeSeDe	1821
509.6	Bowater Inc	1421p	-3.6	5.0	6.6	OcJaApJy	1884
3,812.5	CPC Intnl. 25c	50⅞	-3.0	2.3	26.6	JaApJyOc	2263
150.2	California Engy	825p	-8.7	–	–	–	–
5,588.2	Campbell Soup 15c	44	-0.1	1.6	4.1	OcJaApJy	2050
1,464.0	Chase Manhattan $12½	10⅞	-4.1	6.6	29.7	FeMyAuNv	2109
1,416.4	Chrysler $6¼	6⅝	-6.5	5.6	11.9	ApJyOcDe	2135
2,919.8	Citicorp $1	8½	3.0	7.0	23.10	MyAuNvFe	2141
3,139.7	Colgate-Palmolive $1	23½	2.2	2.7	22.7	FeMyAuNv	2184
637.6	Cont'l Bank Corp $4	631p	-8.0	5.6	31.5	DeMrJeSe	–
738.2	Dana Corp. $1	18	0.7	5.3	27.8	MrJeSeDe	2306
324.2	Data General	1175p	-2.0	–	–	–	–
819.7	Dial Crop. $1.5	20⅞	-0.6	4.0	30.5	JaApJyOc	2778
4,864.8	Dun & Bradstreet $1	27¼	4.3	4.7	13.2	MrJeSeDe	–
1,231.8	Eaton Corpn. 50c	36¼	0.7	–	2.2	–	2410
389.3	Echlin Inc	6⅞	-7.5	6.0	1.7	JaApJyOc	3046
3,061.3	FPL Group 1c	18⅞	-0.7	7.5	27.8	MrJeSeDe	–
1,955.4	Fluor Corp 62½pc	24¼	-3.4	0.8	19.9	JaApJyOc	2609
8,284.5	Ford Motor $1	17⅛	-0.2	3.4	30.7	MrJeSeDe	2615
35,805.4	Gen. Elect. 63c	40⅛	-0.3	3.0	3.6	JaApJyOc	2675
–	General Host Corp $1	466p	2.4	4.3	13.12	–	–
5,220.5	Gillette $1	23⅞	-1.5	1.5	24.5	MrJeSeDe	2695
884.2	Hasbro Inc 50c	15½	6.9	0.9	1.8	JaApJyOc	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
335.7	Beazer 10p	118	44.8	4.5	16.9	Jan Jun	1788
91.3	Bellway	245	0.4	6.0	2.4	Jan Jul	1799
0.99	Bellwinch 10p	34	....	–	18.9	–	1800
208.2	Berkeley Group	342	-0.6	1.8	1.7	Feb Aug	1813
16.2	Bett Bros 20p	108	....	7.9	3.6	Feb Jul	1822
98.0	Birse Group 10p	152	0.7	4.8	29.7	Apr Oct	5293
27.5	Blockleys 20p	188	....	6.0	15.4	Jul Nov	1853
1,566.9	Blue Circle 50p	259	-5.0	5.8	16.9	Nov Jul	1855
162.4	Do. 7¼pc Cv Rd Pf £1	138	-4.2	7.4	20.5	Dec Jul	4670
32.7	Boot (Henry) 50p	605	....	5.5	29.4	May Nov	1874
28.7	Breedon	101	6.3	6.2	15.4	Oct May	1941
4.30	BB & EA	355	....	0.2	31.12	Feb Oct	1900
25.5	British Dredging	145	8.6	6.8	16.9	May Dec	1906
280.1	Bryant Group	108	0.9	5.9	25.[illegible]	Nov May	1992
9.91	Bucknall 1p	88	8.1	8.0	15.7	Oct Feb	5145
24.6	CALA 5p	70	-7.9	6.7	2.4	Nov May	3034
0.32	CCS Group 20p	28	....	–	10.12	–	3989
4.49	CMW Group 5p	80	2.6	4.8	12.8	Sep May	4174
678.9	CRH	235	-0.6	3.2	16.9	Oct May	1392
3.18	Cakebread Robey 'A'	53	....	‡	20.5	Jan	2033
7.09	Conder Group 5p	17	-5.6	2.4	8.10	Nov	2212
4.07	Chapt Clarke Grp. 10p	22	....	3.0	14.1	Apr Oct	5295
248.1	Costain Group	108	-0.5	15.1	[illegible]	Jul Nov	2246
62.4	Countryside Props	104	6.1	5.3	[illegible]	Sep Apr	2248
29.8	Crest Nicholson 10p	39	-9.3	‡	[illegible]	Apr	2276
16.7	Do 5½pc Cv Rd Pf £1	48	....	18.5	[illegible]	Apr Oct	2275
3.14	Creston 10p	16	-11.1	‡	[illegible]	Nov Apr	3111
8.55	Cussins Prop. Grp	68	....	8.3	[illegible]	Jul Nov	2296
21.9	Domelon Tyson 10p	39	5.4	3.4	17.6	Aug	4644
78.7	Douglas (Robt. M)	508	-2.3	2.8	29.7	Sep Feb	2366
1.17	Dunton Group 5p	6	....	–	12.2	–	2388
17.8	EBC 50p	134	-0.7	8.0	2.9	[illegible]	2411
20.5	Edmond Hldgs 10p	40½	1.3	6.1	2.9	[illegible]	2427
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For Varity see Americans

ELECTRICALS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For Racal Telecom see Vodafone

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
977.5	Scam Fd Red. Prf.	1840	-0.7	-	-	-	4987
9.96	Singapore SESDAQ Ic	332	-4.3	-	-	-	5364
105.1	Singer & Friedlander	47xd	4.4	7.1	16.9	Nov May	4028
37.8	Smith New Court	125	....	3.7	17.6	Fe Jy Se	4046
47.1	Do. Cnv Prf 50p	75	....	11.6	17.6	Jan Jul	4045
64.0	South America Fund	123	-2.4	-	-	-	2988
2.85	Do. Warrants	44½	-6.2	-	-	-	2993

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
102.9	ACM 50c	53	6.0	2.4	-	Nov	1696
68.8	ACM Gold	28	11.1	12.8	-	Oct	1371
1.02	Arboyne 50c	3	..	-	-	-	-
-	Aztec Explr	33	3.1	1.4	-	-	4624

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
11.2	Greenwich Res 5p	16	-5.9	-	-	-	2773
414.9	Hemlo Gold Mines	£4¾	..	2.3	3.6	Dec Jun	-
863.3	Homestake Mining $1	£8¼	2.2	1.4	1.8	FeJeAuNv	2916
17.5	Hibernia West	55	1.9	-	-	-	-
0.87	Kells Mins. Ir5p	34	2.9	-	-	-	3741
5.28	Kenmare	11	4.8	-	-	-	1453
0.87	Navan Resources	16	-	-	-	-	1185
7.95	Northgate Expl C$1	63	-8.7	-	10.77	-	-
1.69	North West Expl.	5	-	-	-	-	-
-	Orys Gold Hldgs	132	-2.9	-	-	-	3686
0.77	Ovoca Gold IR 2p	11	-21.4	-	-	-	3470
3.37	Plateau Mining 20p	16	-	-	-	-	3407
5,465.9	RTZ 10p	551xd	-0.9	4.7	16.9	Dec Jul	3880
-	Thorco Res. Inc.	10¼	-2.4	-	-	-	-
2.14	Viscaya Hldgs 5p	4	....	-	-	-	4193
52.7	Wstrn & Pac Res	96	-2.0	-	-	-	-
11.2	Young Group 10p	120	-1.6	5.8	2.9	May Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares.
γ Gamma refers to other traded instruments.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ‡ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	648	..	Heiton Hldgs.	45 .....
Finlay Pkg 5p	21	5.0		
Holt (Jos) 25p	1975	0.1		

IRISH

Cap 8¾% Ln 2010	£93¼	-1.5	IRG	110 .....
9pc Cap Ln 1996	£98	-0.5	United Drug	188 .....
Fin. 13% 97/02	£114	..		
Arnotts	209	16.1		

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	30
Blue Circle	24
Boots	30
Bowaters	65
Brit Aerospace	56
British Steel	12
Brit Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property	
Brit Land	30
Control Secs	5
Land Securities	45
MEPC	40
Mountleigh	6½

Oils	
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions:
Scottish Value Trust (Section: Inv. Trusts)
US Smaller Companies (Inv. Trusts)
Do. Warrants (Trusts)

Deletions:
Chelsea Man (Stores)
Propeller (Stores)
Quotient (Industrials)
Ramar Textiles (Stores)
Saltire Insurance Invs. (Insurances)
Thurgar Bardex (Chemicals)

4:00 pm prices September 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	15	609	14¼	14	14½	
18¾	14½	A L Labs A	0.16	0.01	19	1448	17⅞	16¾	17½	+½
65¾	40⅞	AMP Inc	1.44	0.03	18	3200	51⅞	51⅛	51¼	−¼
88⅞	44¼	AMR				13035	59⅛	58⅝	58⅞	
2⅝	1	ARX				29	1⅝	1⅝	1⅝	
58	41½	ASA	3.50	0.08	13	210	45⅞	45¾	45½	+⅛
55¼	39⅝	Abbott Lab x	1.00	0.02	22	8250	54	53	54	−⅝
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	148	13½	13¼	13¼	+⅜
11⅝	10⅝	ACM Gvt In x	1.28	0.11		1051	11⅝	11	11	−⅛
9¾	8⅝	ACM GvOpp x	1.01	0.10		107	9⅝	9½	9⅝	
9½	8¼	ACM Gvt So	1.01	0.11		433	u9¾	9	9⅛	+⅛
11	9⅞	ACM Gvt Se	1.26	0.12		624	10¾	10⅝	10¾	
8⅝	7⅝	ACM Man x	1.01	0.12		364	8½	8⅜	8½	
12⅞	11⅛	ACM MangI x	1.35	0.11		309	12⅛	12¼	12¼	+⅛
7½	4⅞	Acme Cleve	0.40	0.06	17	122	6⅝	6¼	6⅜	
6	3⅝	Active Elect			2	2	4½	4½	4½	
40	22⅞	Acuson				23348	33¼	32¾	33⅛	+⅜
19⅛	14¼	Adams Expr	0.73	0.04	D	77	18⅝	18⅝	18¾	
20⅛	17½	Adobe12PI	2.40	0.12		12	19½	19⅞	19½	+⅛
9⅝	6⅝	Adobe Res			53	280	8¼	7⅞	8	−⅛
38⅞	18	Ad Micro				11				
14¾	4⅞	Ad Micro p	3.00	0.28	17	2928	34	33¾	34	
5⅞	2⅛	Advest Grp	0.16	0.04	5	95	10⅝	10⅜	10½	
49⅛	31⅞	Aetna Li	2.76	0.08		74967	3⅝	3⅜	3½	
105⅞	8⅝	Adli A	0.24	0.03	45	185	34	33¼	33⅞	−⅛
20⅞	12	Ahmanson	0.88	0.05		112908	8½	8¼	8¼	−⅛
13⅜	2⅞	Aileen Inc				111688	18¼	17⅝	18⅛	+⅛
74⅛	51⅜	Air Pr Chm	1.56	0.02	14	2288	12¼	11¾	11⅞	+⅛
30	16⅝	Airbne Frt	0.30	0.01	17	989	65½	64½	65⅛	−⅜
16⅞	12½	Argos Inc					26½	25¾	26⅛	+⅜
15⅛	10	Airlease x	1.68	0.13	97	11	17⅝	17¼	17⅝	+⅜
88½	86¼	AlaPw8.16	8.16	0.09	7	19	13⅜	13⅛	13¼	+⅛
25⅛	21⅞	AlaPw PIA	2.00	0.08		2	95	95	95	+2½
105⅞	100	AlaPw9.44	9.44	0.09		11	u25⅛	25⅛	25⅛	
108	102⅝	Alab Pw 11				2	u106½	106	106½	+1
100	96	Alab Pw 9P	9.00	0.09		2	104	104	104	
98	98	Alab 8.28C	8.28	0.09		z100	101½	101½	101½	
10⅝	9⅞	AlaPwDpPf	0.87	0.08		z100	96	95	95	−1½
25⅛	17½	Alaska Air x	0.20	0.01		62	u10⅞	10⅛	10⅜	
20	10	Albany Int	0.20	0.01	102	339	22⅞	22⅜	[illegible]	[illegible]

[illegible]

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30	22⅞	BRE Prop	2.40	0.08	19	17	29¼	29	29¼	+[illegible]
39½	24⅝	Briggs & S	1.60	0.04	14	167	37	36⅜	36⅞	+[illegible]
46	36⅝	Brinkerinf			32	474	44⅞	44¼	44½	+[illegible]
87⅞	61¼	Bristol M x	2.40	0.03	23	11080	86⅞	85½	85⅞	−[illegible]
33⅛	24½	Brit Airwy	1.78	0.06	13	886	32¼	31⅝	31⅞	+[illegible]
49⅞	39	Brit Gas	2.50	0.05	12	40	47½	47⅛	47⅛	+[illegible]
77½	63⅞	BP ADR	4.38	0.06		71645	69⅞	69½	69¾	−[illegible]
32⅝	26⅝	BP Prudhoe	3.34	0.10	9	424	31⅞	31⅞	31⅞	
8⅞	3½	BP Wts93				708	4½	4⅜	4⅜	
27⅝	19¼	Brit Steel	1.70	0.08	13	140	22½	22⅛	22⅜	+¼
68⅛	51¼	Brit Tel	3.24	0.05	12	533	68⅛	68	68	−¼
14⅜	4⅝	Broad Inc	0.20	0.01	11	279	u14⅝	14⅜	14½	+⅛
30⅞	27⅛	BrklnPld	2.47	0.08		12	u30⅞	30⅜	30⅞	+⅛
28⅝	27	Brooklyn U	1.90	0.06	13	138	29⅞	29⅜	29⅞	+⅛
84½	70½	BrwnFormnB	2.24	0.03	14	258	71½	d70¼	70⅞	−⅜
28⅞	21⅝	Brown Grp	1.60	0.06	16	367	26⅝	26	26⅛	+⅛
12⅝	7⅝	Brown&Shrp	0.32	0.04	2	51	8⅝	8½	8⅝	+⅛
30½	18⅞	Browning F x	0.68	0.03	14	5216	19⅞	19⅜	19⅞	+¼
4⅞	2	BRT			0	22	2¼	2⅛	2⅛	
16⅝	8⅝	Brunswick	0.44	0.03	58	2508	13⅛	12¾	12⅞	
20	14⅛	Brush Well	0.72	0.05	20	1091	15¼	15¼	15¼	−⅛
27¼	23⅝	Buckeye Pr	2.80	0.09	9	53	u27¾	27⅛	27½	
15⅞	13	Bunker Hll	1.87	0.12	0	14	u15⅞	15⅝	15⅞	+¼
13⅞	10⅛	Burger K I	1.60	0.14	12	37	11⅛	11½	11½	−⅛
18⅞	8⅞	Burl Coat			15	415	16⅝	16⅜	16½	−⅛
35⅞	28⅛	Burl North	1.20	0.04		74689	33⅝	33⅛	33⅞	+⅛
43¼	32⅞	Burlin Resc x	0.70	0.02	30	1482	41½	40⅞	41⅞	−⅛
16	11¼	Burnham Pr x	1.36	0.09	45	14	15⅛	15	15⅛	+¼

- C -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30⅞	15	C & S/Sovr	1.56	0.05	32	3806	28⅞	28⅝	28⅞	+[illegible]
37⅞	23½	CBI Ind	0.48	0.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- D -

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- H -

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- I -

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- J -

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- K -

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- L -

[illegible]

- M -

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- N -

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- O -

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- P - Q -

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- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60¼	35¼	Xerox	3.00	0.05	102	138	58⅝	57¾	58	-⅛
51½	43¼	XeroxHL125				2	50	50	51	+1
21⅞	14⅛	Xtra 1.94				7	21⅞	21⅞	21⅞	+⅛
24⅞	14⅛	Xtra Corp	0.72	0.03	79	311	23⅞	23⅝	23⅞	+⅛
24⅛	21⅞	Yankee Egy	1.50	0.06	11	71	u24⅝	23⅞	24⅜	+⅝
1½	⅜	Zapata				3	381	⅞	⅞	⅞
9⅞	5½	ZenithElec				1	457	5⅞	5⅝	5⅞
18½	12	Zenith Nat x	1.00	0.05	82	11	18⅞	18¾	18⅞	
6⅛	4½	Zemix Inc x	0.84	0.14		45	6⅛	6	6⅛	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	65	15	14⅞	14⅞	-⅛
41⅞	29½	Zurn Ind x	0.83	0.02	14	280	34⅞	34⅛	34½	-⅛
13½	10¼	Zweig Fund	1.12	0.09		202	12½	12¼	12½	+⅛
10⅛	8⅞	Zweig Totl x	0.96	0.09		515	10⅛	10	10⅛	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices September 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		6	1185	10	9⅞	9⅞	-⅛
Perini		5	35	10	9⅞	9⅞	-⅛
Pit NEP x	0.31	12	6	10	9⅞	10	
Pall LD x	0.17	7	549	18⅞	18⅛	18⅛	
Pittway A	0.70	9	21	22⅝	22¼	22¼	
Ply Gem	0.12	159	20	8⅛	8	8	
PresidioA	0.10	2	25	3⅛	3⅛	3⅞	

NASDAQ NATIONAL MARKET

4:00 pm prices September 20

MONDAY INTERVIEW

Aggrieved proponent of reform

John Selwyn Gummer, minister of agriculture, speaks to **Martin Wolf**

The minister is 40 minutes late because a party of Russians is in town. Worse, Anatoly Sobchak, mayor of St Petersburg (recently Leningrad), is due in 20 minutes.

Disposing of the problems of European agriculture so quickly turns out less absurd than one feared. Sometimes emotional, Mr Gummer has much to get off his chest, not least to the FT, with which he is "a bit annoyed sometimes when it actually gets the facts wrong". But the principal object of his ire is the plans of Ray MacSharry.

A meeting of the farm ministers, to discuss the controversial reform proposals of the agriculture commissioner, is due today and tomorrow. Does the minister believe it will resolve outstanding issues?

"Its not going to start to," comes the depressing response. "This is a long, long process. We have to get a solution that works and the present proposals don't go anywhere near it. I should think we will be *months and months*."

One of the main problems, stresses Mr Gummer, is that "Mr MacSharry's proposals are *significantly* more expensive even than the present system". Is Mr Gummer not focusing on the budgetary cost alone, however, ignoring the offsetting benefits to the consumer?

"But I'm not," expostulates the minister. "I've never done that at all. I'm so pleased you've come to interview me, because I'm fed up with the FT never listening to what we say. I'm talking about total resource costs.

"First of all, you have to assume that the drop in consumer prices will be along the lines which have been hinted at in the press. I have real worries about how large that price drop will actually be."

Moreover, the problem with the MacSharry proposals is that "you are promising to provide what is in effect a pension for a large number of people and not one that is linked with *the restructuring of their* farms. And, therefore, every year they will demand more. So you have got an engine for budgetary inflation.

"So what we are saying is 'of course you must have the cuts in price. We are in favour of the cuts in price'. But having got the cuts in price we are not in favour of spending that money in the way in which Mr MacSharry is proposing."

The minister is, indeed, obsessed with the budgetary costs. But time presses. At least the minister does agree to price cutting. "No," he replies, "I don't agree. I have pioneered it." Mr Gummer raises his voice. "I am sorry to be aggressive about it. But I am fed up with reading things in the newspaper, as if we vaguely agree with price cuts. We have campaigned for them, year in year out, very often without press support. Now that we object to the mechanisms that are used it is somehow suggested that we are not in favour of reform. That's a very sad situation to be in."

But is he not being far too cavalier about the political need for compensation, especially for the small farmers? And why does he complain so much about the discriminatory nature of these proposals, especially when even the National Farmers Union has admitted that you could not operate set-asides for very small farms?

"Well let's take cereals," the minister responds, not even "the most discriminatory one as far as the UK is concerned". The plan is discriminatory in *five different ways:*

- "First of all, the cost of meeting the reductions determined in the Gatt round would *be laid on the most efficient* producers."
- Second, a mixed farm with a number of products below the ceilings gets "a better degree of compensation than a specialist farm".
- Third, efficient farms in countries that produce grain efficiently shall have a smaller amount of acreage compensated than farms in less-efficient countries.
- Fourth, why should "a part-time farmer in Germany get compensated, whereas a full-time farmer with three families living off that farm should not have the compensation? No wonder," he complains, "I am angry".
- Finally, "a large number of products are excluded from any reductions at all and they are all – surprise, surprise – products which are not produced in this country".

And *"of course, it's true that* there is a *de minimis* level, where it would be ridiculous to try to have set-aside. But that's *a totally different thing from* exempting farms which it is claimed are viable.

Yet, as Mr MacSharry says, 80 per cent of the common agricultural policy's benefits go to 20 per cent of the farmers. If we reform a system like that, do we not have to reduce the present discrimination in favour of the large farmer?

Mr Gummer will have none of this. "Eighty per cent of the money goes to 80 per cent of the land," he notes approvingly. "You are starting from the distorting argument that this system is supposed to be about subsidising the number of people. That is not what the founding fathers said they wanted to do; and it is not what the CAP was about. It is *not surprising* that 80 per cent of the money goes to 80 per cent of the land. It's about right.

'We have campaigned for price cuts year after year'

PERSONAL FILE

1939 Born Stockport, Cheshire; educated King's School, Rochester; Selwyn College, Cambridge
1961 BA in History
1970-74 MP for Lewisham West
1983-84 Minister of State for Employment
1983-85 Chairman, Conservative party
1985-88 Minister of State for Agriculture, Fisheries and Food
1989- Minister of Agriculture, Fisheries and Food

"You have to say what you are trying to do in this reform." First of all, he says, you are trying to halt the production increases, "because you are moving from a time of shortage to a time of surplus".

Then, "Mr MacSharry has made the curious comment *that he wanted to have as* many people involved in agriculture in 20 years time as there are now". But the British *minister rejects this objective.* "I don't believe," he declares, "that it is either a proper aim or one that is shared by the Community members".

The environment is "the only justification for continuing support – and I'm asking for very, very significant reductions in the amount of support, though those cuts must go at a pace that it is possible to deal with in the farming community". Even in the UK, "80 per cent of our land area is looked after by farmers".

So what, more precisely, does Mr Gummer want, apart from the price cuts? "First of all, I would have set-aside on a significant area. But it would have very clear environmental rules. That set-aside would have to be voluntary. But it would be targeted, in the sense that every country would have a *target*."

Then there might be some kind of pension scheme for small farmers. "I would be perfectly prepared to see such a system, so long as it was linked with structural reorganisation." But also *only* "as long as you had a system that was limited and degressive, applied to people who were 'in post' at the moment".

Is all this not deliberately unrealistic? Are these ideas not simply an invitation to a stalemate?

"No, I don't think that that's true," responds the minister. "First of all, Mr MacSharry's plans are not going to gain support." But do they not do more for the small farmers who concern the Spanish and the Italians, for example, than his would? "I don't think they do," he asserts, "because they do something which actually very many people in Spain and Italy don't like," by consigning those nations to agricultural backwardness forever.

"I *haven't presented a blue*print," he stresses, "because I am keen on being as flexible as possible. But I am not prepared *to have the MacSharry plan*, followed by an add-on package on the environment".

A note is slipped to the minister. *Mr Sobchak has arrived.* But a final question is permitted. Does the minister believe it is possible to reach agreement in the Gatt without a new EC mandate?

"I don't think that the Community can actually move very far from the package that they've put forward," replies Mr Gummer. But "I do believe that there are ways of making clear that the reductions you're talking about do work their way through, particularly to export refunds and the like.

"Quite close to the deadline, the Community, the Americans and the Cairns Group will have to sit down, bash their heads together and come out with a solution. There's no other way round it. And I've always *insisted that we talk as little as* possible about this ludicrous concept of a 'mandate', about which there is nothing in the treaty at all." Britain "supports the concept of the Commission negotiating on our behalf and coming back with the solution which we then have to accept or not accept".

Time is up, with far too many issues undebated. But, as he turns to greet Mr Sobchak, the man who sits in one of the hottest seats in politics has one consolation: he is not the Russian minister of agriculture, nor even the mayor of St Petersburg.

Not a good place to lose one's job

MICHAEL PROWSE
on America

President George Bush will shortly face an awkward choice: whether to veto Congressional legislation extending benefits for the unemployed. Congress passed similar legislation in August but the White House exploited a loophole. Mr Bush signed the bill, expressed sympathy for the jobless but failed to declare the budget emergency necessary if the benefits were to be funded. The $6.3bn bill passed by the House of Representatives last week was carefully drafted to force Mr Bush to cast a veto if he wants to stop it. The Senate is expected to pass similar legislation shortly.

Mr Bush has exercised his presidential veto 21 times but this decision will be especially sensitive. The most telling criticism he will face in seeking re-election next year is that he has focused too narrowly on foreign policy and ignored serious social problems at home. Democrats see a confrontation on relief for the jobless as a way of driving this point home. "We've helped Kurds in Turkey. We've helped the Bangladeshis. It's time to help Americans," says Mr Tom Downey, a Democrat from Long Island and the chief sponsor of the house bill, which was passed by more than the two thirds majority needed to override a presidential veto.

The economy's failure to recover decisively from recession only raises the stakes. The argument that new legislation *is* unnecessary because unemployment will soon fall looks threadbare: indeed, the jobless rate, already above 9 per cent in some large northern states, could drift higher.

In the US, most welfare programmes evoke mixed feelings. But unemployment insurance – a legacy of the Great Depression – is viewed differently. People accept that individuals, however industrious, are at the mercy of economic tides that can wreck the prospects of particular sectors and beach whole economies. Private insurance against such risks has never been obtainable because the bunching of claims in recessions would bankrupt commercial insurers. The case for government assistance is thus widely supported.

US relief, however, is unusually parsimonious. The basic state benefit lasts only 26 weeks. Mr Gary Burtless, a senior economist at the Brookings Institution, a Washington think-tank, points out that this compares with 52 weeks in Britain and Germany and more than two years in France. Even Japan, noted for its meagre social benefits, pays unemployment insurance for 40 weeks. In most countries, when the jobless run out of insurance, they move on to other benefits, such as Britain's income support. The US lacks a comprehensive safety net. Adults with dependent children may qualify for special means-tested benefits. But single people often find themselves with nothing but food stamps.

In theory, US workers who exhaust their regular unemployment insurance and live in areas of high unemployment *can qualify for* "extended benefits" providing up to 13 additional weeks of insurance. This was meant to provide a little extra help in recessions. But a tightening of eligibility rules in the early 1980s has drastically curtailed this scheme. More than 2m workers have exhausted their unemployment insurance this year. A record 350,000 workers ran out of benefits in July alone. Yet extended benefits are available only in Puerto Rico and tiny Rhode Island.

Ironically, the problem is not shortage of cash. Funds intended for extended benefits have accumulated in a trust fund that now stands at $8bn. It has not been drawn down mainly because the trigger for payment of extended benefits is not the actual unemployment rate but the insured unemployment rate. This is artificially low because tighter eligibility conditions and other changes have sharply reduced the proportion of workers qual*ifying for basic* unemployment insurance. The Centre on Budget and Policy Priorities in Washington says that on average only about *40 per cent of* the jobless have received unemployment benefits in recent months.

The bill sponsored by Mr Downey makes the actual unemployment rate the trigger for payment of extended benefits and provides for a maximum of 20 additional weeks of insurance when the jobless rate exceeds 8 per cent. At present unemployment rates, six states, including Massachusetts and Michigan, would qualify for the 20 extra weeks; a further seven, including New York and California, would get 15 extra weeks.

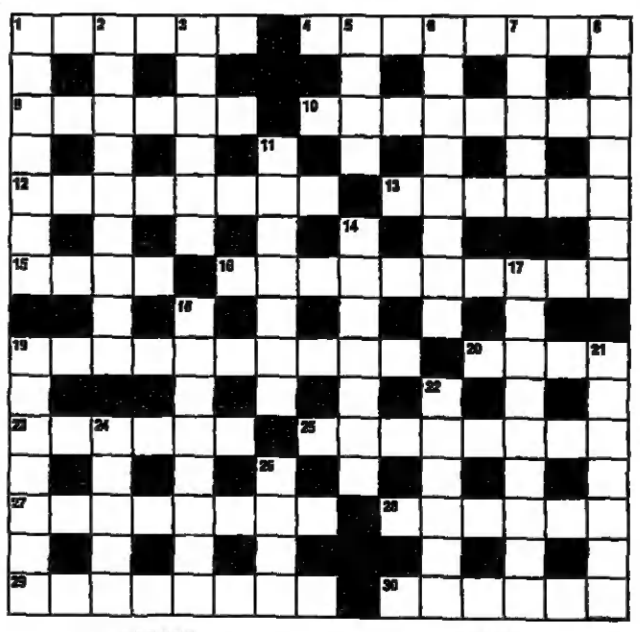
By international standards, the goals of this legislation look modest. The reforms do nothing for millions who do not qualify for even the basic 26 weeks of insurance. The extensions for those that do are conditional on quite severe local economic downturns yet still leave the total duration of benefits shorter than those available at all times in most other industrialised countries. Finally the legislation does not address the social problems posed by any abrupt cut off of benefits: if the recovery does not gather momentum many workers will rapidly exhaust 46 weeks of insurance.

The strongest argument against the legislation in its current form is that it fails to raise taxes to pay for the additional spending and *thus* contravenes the spirit of last year's Budget act. Many economists hope the Senate will correct this lacuna. But even if it does not, the White House will find pressure for reform hard to resist. With the jobless widely seen as innocent victims of recession, Mr Bush will not want to risk the humiliation of an overturned veto. But if he relents, it will not mean the US is on its way to a Swedish-style welfare state.

JOTTER PAD

CROSSWORD

No.7,653 Set by PROTEUS



ACROSS

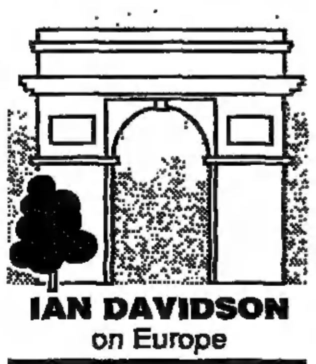
1 Vegetable unpopular with motorists (6)
4 Girl shows discretion (8)
9 Pun about assistance without recompense (6)
10 The opposite of talk (8)
12 Fire journalist, being full of life (8)
13 Bear witness to attending trial? (6)
15 Was first to include article in metal (4)
16 Declaration of French attitude (10)
19 Style with fair amount of restraint (10)
20 Halt on way to work (4)
23 Proper girl, turning on chaperon (6)
25 Goes back over defeats (8)
27 Unpractical person with a notion to please (8)
28 Right for example to have drink at feast (6)
29 Star finding flower at ski resort (8)
30 Withdrawing to a retired spot (6)

DOWN

1 Advice from a lawyer (7)
2 Censure prime movers in South African goldfield (9)
3 Soldier in odd iron coat at starting point (6)
5 Cross over entrance (4)
6 Joint vote overthrown in Irish parliament (8)
7 Self-possession never disturbed (5)
8 Continually putting on weight in this place (7)
11 Quotes from memory programmes previously broadcast (7)
14 Person of rank who sounds a bit of a nut (7)
17 During trial at European capital showed lack of will (9)
18 Disputatious mathematician (8)
19 Forced air bubble into wine (7)
21 They send off bills (7)
22 Show high regard for Paul (6)
24 Seventies' happening (5)
26 River goddess (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 5.

Grow up, and get on with it



IAN DAVIDSON
on Europe

With the civil war in Yugoslavia and the disintegration of the Soviet Union, the European Community is at last coming to the end of its Age of Ambiguity. For many years it was a playground of illusion, where politicians tried to deceive the voters about what it was all for, or whistled derision at the gap between illusion and reality. But the moment is fast arriving when they will have to come clean.

During all those years, Europe's would-be statesmen disagreed violently over the Community's ultimate destination: federalists confronted nationalists, free-traders contradicted protectionists. At the time, the battles seemed dramatic; sometimes they even seemed serious. But with hindsight, we can see that their quarrels were of no real consequence, just play-acting, because the Community was still at a malleable stage of half-formed adolescence; it was *too immature* for the rival dogmatists to mould its future.

The crises in eastern and southern Europe have changed the rules of the game. The Community must emerge from its ambiguous adolescence, because that is what the world demands. It must decide where it stands, where it is going, and what it is going to be.

So far, the Community's response has been superficially unimpressive. The efforts of the 12 to sponsor a ceasefire and a peace *conference on* Yugoslavia have proved abortive, and last week's debate on a possible peace-keeping force was a fiasco.

The Community cannot leave the stage, however. The disintegration of the old order requires it to play an active, adult role. If it put on a dismal show last week, it will simply have to put on a better show this week; there is no other performer to replace it.

The US administration is anxious to maintain its role in Europe. But when the question is aid to the Soviet Union and eastern Europe, does the US push to the front? No, it urges this task on the Community. When Yugoslavia starts to fall apart, does the US try to take charge? Not on your life; that's a Community problem.

*Other international group*ings might theoretically be called on to help in the Yugoslav crisis: the pan-European CSCE, or the United Nations, which is now being invoked. But where does the world look first, and where will it look after the UN says its bit? To the European Community.

The member states respond *to these expectations, but their* responses are not yet quite serious. Last week, France and Germany proposed sending a *European peace-keeping force* to Yugoslavia. Yet in reality France has no intention of sending any force until, by some other mechanism, peace has broken out; and Germany has no intention of sending any force in any circumstances. This initiative's only purpose was to give the illusion of Franco-German unity.

Mr Douglas Hurd, the British foreign secretary, may have felt that he struck a blow for commonsense, for Britain, and for the Conservative party, when he opposed the Franco-German proposal. Yet his government's *general* attitude to the development of the Community is just as two-faced as anything the French or Germans can come up with.

On grounds of national sovereignty, Britain insists that the co-ordination of foreign policy in Europe must be handled by independent governments, away from the toils of the Commission. The French agree. But the contortions of Britain and France to assert their international stature are merely painful to the performer and ridiculous to the spectator. The rest of the world is only interested if there is a united European foreign policy; and only a united European policy can exert influence. *So who do they think* they are fooling?

Increasingly, there is no good national option for any European country; the notion that a state preserves its freedom because it has the choice of withdrawing, is literally true but practically infantile. Increasingly, the Community will be the paradigm for all *fields of activity and for all* European countries; and that paradigm must extend to foreign policy, security and defence. For Britain and France to yearn nostalgically for a national foreign policy is ludicrous atavism.

Last week's debate on a European peace-keeping force is the precursor of an inevitable trend. The responsibilities now being thrust on the Community will require the member states to consider the entire panoply of state action, including security and defence. In the circumstances, the proposal for a peace-keeping force was misplaced, and a serious tactical error by the French. But the underlying assumption, that the 12 must take account of the defence-security dimension, and can only do so in a Community context, was clearly not misplaced.

Moreover, this assumption evidently responds to the felt needs of all the member states. Mr Hurd succeeded in defeating the peace-keeping proposal: but he did not argue that the subject was out of bounds for the 12 foreign ministers.

European businessmen have summed up the position.

"If the effective economic and political power in Europe is passing to the Community, then that is where the responsibility for our security will eventually be located, and the time to start planning for that objective must be now.

"The pretence that the Community can satisfactorily deal with economic subjects while leaving the management of all other foreign affairs in other hands has become an anachronism.

"A coherent foreign policy needs political institutions with decision-making powers, *backed by a unified diplomatic* service with the resources to develop and implement the necessary policies."*

In other words, grow up, and get on with it.

** Reshaping Europe, European Round Table of Industrialists, 15 rue Guimard, Brussels*